

**CITY OF SONOMA**

Audited Financial Statements

June 30, 2019

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CITY OF SONOMA  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Sonoma, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sonoma, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Sonoma, California, as of June 30, 2019, and

To the City Council  
City of Sonoma, California

the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Richardson & Company, LLP*

February 1, 2021

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis**

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This narrative of the City of Sonoma's financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements, and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- ◆ As of June 30, 2019, total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows by \$62.5 million (net position). The portion of net position that may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position) was \$4.7 million. The portion of net position that was restricted and may only be used for specific purposes was \$1.4 million. The remaining \$56.4 million was invested in capital assets.
- ◆ Overall, City-wide revenue from all governmental and business-type activities was \$26.0 million, an increase of \$1.3 million from the previous fiscal year. City-wide expenditures from all governmental and business-type activities was \$24.1 million, an increase of \$0.1 million the previous fiscal year.
- ◆ As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$10.8 million. Of the combined fund balances, \$9.4 million or (86%) is available to meet the City's current and future needs (committed, assigned and unassigned balances).
- ◆ The General Fund reported a total fund balance of \$9.5 million at the end of the 2018-19 fiscal year. This represents an increase in fund balance of \$.3 million, or 3% from the previous fiscal year. Of the total fund balance, \$4.0 million, or 43%, was unassigned or available for spending at the City's discretion.
- ◆ As of June 30, 2019, the committed amount in the General Fund of \$4.7 million represents amounts committed for operations (\$3.2 million) and unanticipated emergencies (\$1.5 million). See Note H in the Notes to the Basic Financial Statements.
- ◆ The City's net pension liability decreased by \$.02 million to \$14.5 million. This obligation remains larger than the sum of all other bond and long-term liabilities combined. For more information on the net pension liability, please refer to Note I in the Notes to the Basic Financial Statements.
- ◆ The City ended the fiscal year with \$2.9 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt).

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

**The Government-wide Financial Statements**

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on a full accrual basis, similar to that used by commercial enterprises. The Statement of Activities provides information about the City's revenues and expenses, also on a full accrual basis, with emphasis on measuring the net revenues and expenses of City programs. The Statement of Activities explains in detail the change in net position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All of the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, community development, and parks and recreation. These services are supported by general City revenues such as taxes and by specific program revenues such as development related permit fees.
- ◆ ***Business-type activities*** – All of the City's enterprise activities are reported here and include the Water and Cemetery activities. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements



**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2019, the City's major funds include the General Fund, Water Enterprise Fund and Cemetery Enterprise Fund.

For the fiscal year ended June 30, 2019, the City adopted annual appropriated budgets for all governmental funds.

**Proprietary funds.** The City maintains Enterprise-type and Internal Service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Cemetery activities. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for benefits, information technology assets, long term building maintenance, and vehicle replacement.

Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these activities.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the Basic Financial Statements can be found on pages 28-61 of this report. Required Supplementary Information follows the notes on pages 62-63.

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**Combining and Individual Fund Financial Statements and Schedules.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 64-81 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$62.5 million as of June 30, 2019. The Summary of Net Position as of June 30, 2019, and 2018, follows:

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 17,398,575	\$ 16,125,792	\$ 4,750,603	\$ 3,299,843	\$ 22,149,178	\$ 19,425,635
Capital assets	40,730,464	41,422,146	17,134,652	17,727,781	57,865,116	59,149,927
<b>Total Assets</b>	<b>58,129,039</b>	<b>57,547,938</b>	<b>21,885,255</b>	<b>21,027,624</b>	<b>80,014,294</b>	<b>78,575,562</b>
<b>Total Deferred Outflows</b>	<b>2,983,653</b>	<b>3,308,823</b>	<b>373,497</b>	<b>633,559</b>	<b>3,357,150</b>	<b>3,942,382</b>
Long-term liabilities	14,467,878	14,235,287	2,594,130	3,396,636	17,062,008	17,631,923
Other liabilities	1,850,345	1,783,361	468,931	548,257	2,319,276	2,331,618
<b>Total Liabilities</b>	<b>16,318,223</b>	<b>16,018,648</b>	<b>3,063,061</b>	<b>3,944,893</b>	<b>19,381,284</b>	<b>19,963,541</b>
<b>Total Deferred Inflows</b>	<b>1,367,967</b>	<b>1,604,662</b>	<b>145,979</b>	<b>270,267</b>	<b>1,513,946</b>	<b>1,874,929</b>
Net position:						
Net investment in capital assets	40,408,083	40,989,833	15,924,652	16,442,781	56,332,735	57,432,614
Restricted	1,406,329	650,937	-	-	1,406,329	650,937
Unrestricted	1,612,090	1,592,681	3,125,060	1,003,242	4,737,150	2,595,923
<b>Total Net Position</b>	<b>\$ 43,426,502</b>	<b>\$ 43,233,451</b>	<b>\$ 19,049,712</b>	<b>\$ 17,446,023</b>	<b>\$ 62,476,214</b>	<b>\$ 60,679,474</b>

Total assets increased by \$1.4 million or (1.8%) to \$80.0 million. A decrease of \$1.3 million in capital assets was offset by an increase of \$2.7 million in current and other assets. The increase in current and other assets is due primarily to the increase in cash in the Water Fund. The decrease in governmental and business activities capital assets was largely the result of standard depreciation.

Total liabilities decreased by \$.6 million or (-1.9%) to \$19.4 million. The changes in liabilities include a slight decrease in other liabilities of \$12 thousand and long-term debt principal payments which decreased the outstanding balances by \$.6 million.

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The restricted net position at the end of fiscal year 2018-19 was \$1.4 million, an increase of \$.7 million or (116%) and includes funding restricted for public safety, public works, and community development activities. Restricted fund balances are resources that are subject to externally enforceable legal restrictions by parties altogether outside the government, (creditors, grantors, contributors, and other governments) or subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g. Gas Tax).

As of June 30, 2019, the City had \$4.7 million of unrestricted net position, which is an increase of \$2.1 million. At the end of the 2019 fiscal year, the City had positive balances in all three categories of total net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

By far the largest portion of the City's net position (90.2%) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, \$1.4 million or (2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4.7 million or (7.58%) may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

The following table (Statement of Activities) shows how the governments net position changed during the fiscal year 2018-19 as compared to 2017-18. The City's overall net position increased by \$1.8 million during the current fiscal year.

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,735,106	\$ 3,063,076	\$ 5,161,119	\$ 5,101,036	\$ 7,896,225	\$ 8,164,112
Grants and contributions:						
Operating	1,357,436	1,181,479	-	-	1,357,436	1,181,479
Capital	294,793	136,535	388,833	286,070	683,626	422,605
General revenues:						
Property taxes, levied					-	-
for general purposes	3,468,468	3,267,361	-	-	3,468,468	3,267,361
Transient occupancy taxes	4,000,953	3,645,768	-	-	4,000,953	3,645,768
Sales and use taxes	3,361,377	3,106,186	-	-	3,361,377	3,106,186
Measure J	2,588,046	2,276,294	-	-	2,588,046	2,276,294
Franchise taxes	530,607	546,031	-	-	530,607	546,031
Other taxes	310,788	329,335	-	-	310,788	329,335
State motor vehicle in-lieu	1,084,317	1,013,148	-	-	1,084,317	1,013,148
Investment earnings	359,476	162,311	71,177	36,133	430,653	198,444
Other general revenues	98,561	263,443	145,868	240,279	244,429	503,722
<b>Total Revenues</b>	<b>20,189,928</b>	<b>18,990,967</b>	<b>5,766,997</b>	<b>5,663,518</b>	<b>25,956,925</b>	<b>24,654,485</b>
<b>Expenses:</b>						
Governmental activities:						
General government	3,235,101	2,404,238	-	-	3,235,101	2,404,238
Public safety	12,079,192	11,942,533	-	-	12,079,192	11,942,533
Public works	3,030,048	2,808,595	-	-	3,030,048	2,808,595
Community development	1,621,807	1,323,312	-	-	1,621,807	1,323,312
Parks and recreation	552,536	607,899	-	-	552,536	607,899
Interest and fiscal charges	45,883	59,131	-	-	45,883	59,131
Business-type activities:						
Water	-	-	3,195,921	4,339,985	3,195,921	4,339,985
Cemetery	-	-	342,404	459,300	342,404	459,300
Interest on long-term debt	-	-	47,921	50,798	47,921	50,798
<b>Total Expenses</b>	<b>20,564,567</b>	<b>19,145,708</b>	<b>3,586,246</b>	<b>4,850,083</b>	<b>24,150,813</b>	<b>23,995,791</b>
Excess (Deficiency) of revenues over						
expenditures before transfers	(374,639)	(154,741)	2,180,751	813,435	1,806,112	658,694
Transfers	577,062	275,530	(577,062)	(275,530)	-	-
Transfers related to fiduciary acti	(9,372)	-	-	-	(9,372)	-
<b>Change in Net Position</b>	<b>193,051</b>	<b>120,789</b>	<b>1,603,689</b>	<b>537,905</b>	<b>1,796,740</b>	<b>658,694</b>
Net position, beginning of year	43,233,451	43,112,662	17,446,023	16,908,118	60,679,474	60,020,780
<b>NET POSITION, JUNE 30</b>	<b>\$ 43,426,502</b>	<b>\$ 43,233,451</b>	<b>\$19,049,712</b>	<b>\$ 17,446,023</b>	<b>\$ 62,476,214</b>	<b>\$ 60,679,474</b>

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Revenues**

The City's total revenues for governmental and business-type activities increased by \$1.3 million or 5.3% from \$24.7 million to \$25.9 million for the fiscal year ended June 30, 2019. Approximately 82% of the City's key revenues are generated from five major sources.

Following is a discussion of the variances in key revenues from the prior fiscal year:

1. **Charges for Services** – Revenue from charges for services for the fiscal year ended June 30, 2019 decreased by \$0.3 million or (-3.28%) from \$8.2 million to \$7.9 million. This decrease was primarily due to an increase in the ambulance billing allowance for uncollectable debt.
2. **Property Taxes** - Revenue for the fiscal year ended June 30, 2019 increased by \$0.2 million or (6 %) from \$3.3 million to \$3.5 million. This increase reflects the continued strong real estate market within the City of Sonoma.
3. **Transient Occupancy Taxes** – Annual receipts from the City's Transient Occupancy Tax (TOT) increased by \$0.03 million or (9.7%) from \$3.6 million to \$4.0 million. Fortunately, the impacts from the 2017 North Bay fires did not have a lasting effect and the rebound in tourism-related revenue was relatively quick in the City of Sonoma.
4. **Sales and Use Taxes**- Revenues increased by \$.03 million or (8.2%) in 2019 from \$3.1 million to \$3.4 million.
5. **Measure J** – Revenue from the Measure J sales tax increased by \$.3 million or (13.7%) from \$2.3 million to \$2.6 million.

**Expenses**

Governmental and business-type activity expenses of the City for the year totaled \$24.1 million. Governmental activity expenses totaled \$20.6 million or (85.7%) of total expenses. Business-type activities expenses totaled \$3.6 million during the fiscal year. Public safety costs represented 58.7% of total governmental activities expenses.

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

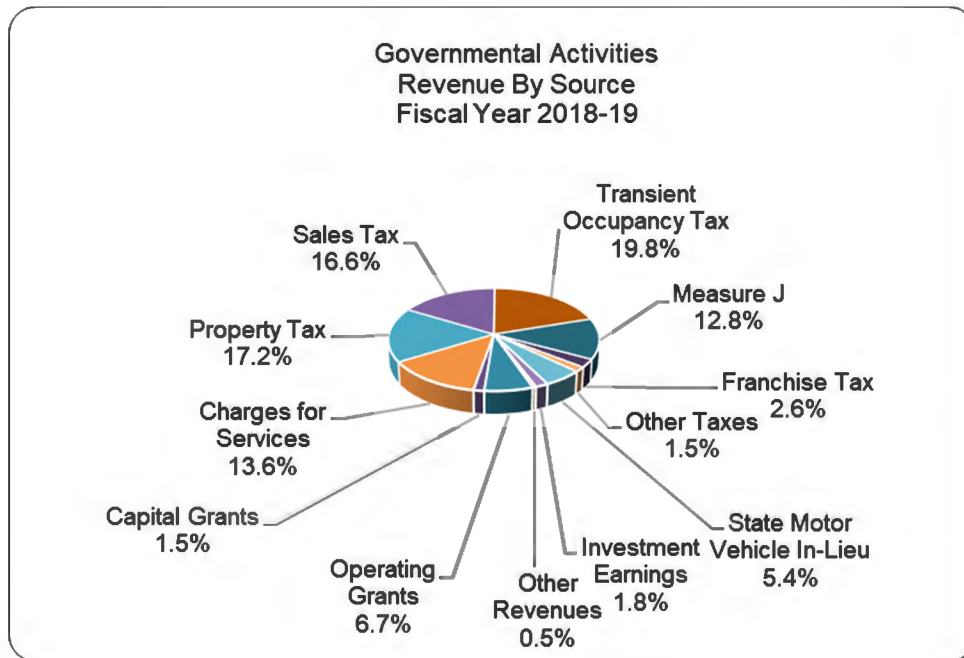
**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Governmental Activities**

The following table shows the cost of each of the City’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal year ended June 30, 2019, was as follows:

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net Revenue (Expenses of Activities)</u>
General government	\$ 3,235,101	\$ 148,473	\$ (3,086,628)
Public safety	12,079,192	2,852,783	(9,226,409)
Public works	3,030,048	857,520	(2,172,528)
Community development	1,621,807	494,591	(1,127,216)
Parks and recreation	552,536	33,968	(518,568)
Interest on long-term debt	45,883	-	(45,883)
<b>TOTAL</b>	<b>\$ 20,564,567</b>	<b>\$ 4,387,335</b>	<b>\$ (16,177,232)</b>

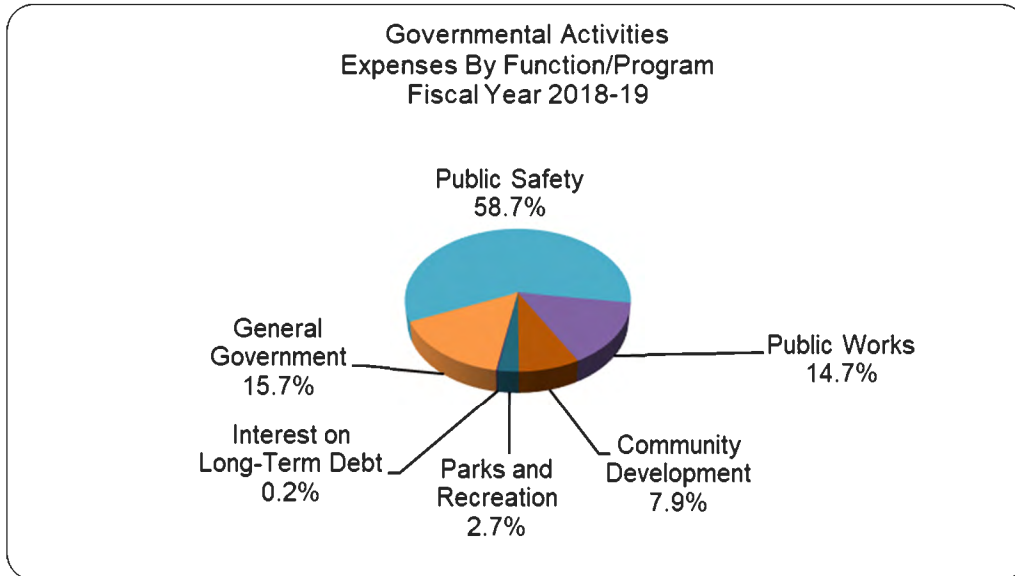
Revenues by source and expenses by function/program for the fiscal year ended June 30, 2019, are as follows:



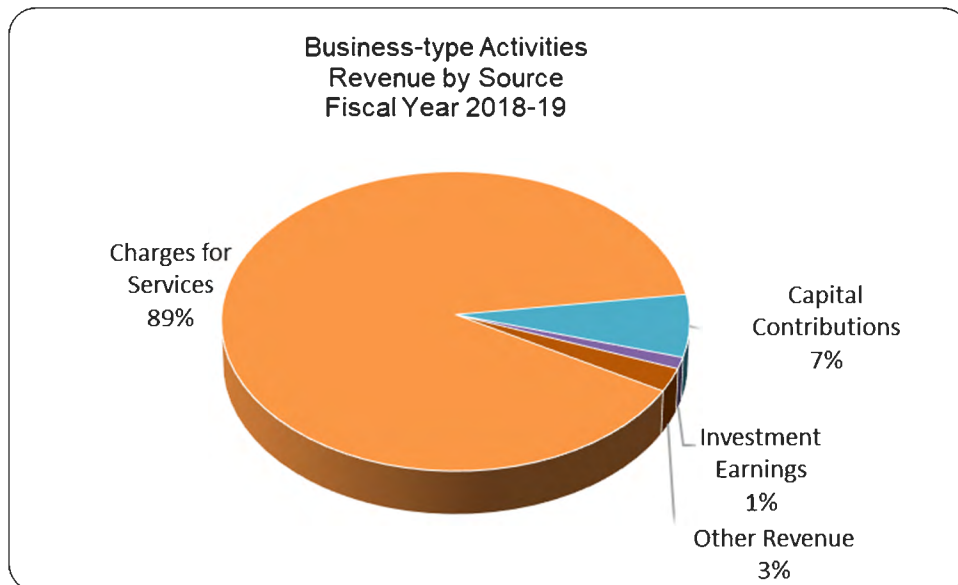
**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**



**Business-type activities.** The City’s net position for business-type activities increased by \$1.6 million or (9.2%). The City has two business-type activities, the Water and Cemetery operations. The revenue by source for the Water and Cemetery business-type activities for the fiscal year ended June 30, 2019 are as follows:



**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

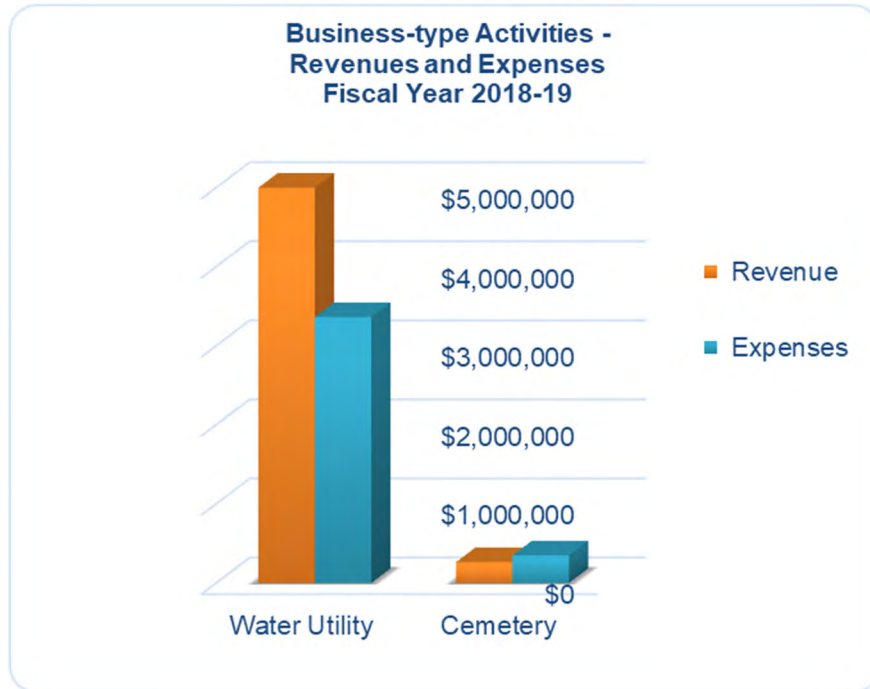
**Management’s Discussion and Analysis, Continued**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The operating revenues and expenses for the business-type activities for the fiscal year ended June 30, 2019 are as follows:



**Financial Analysis of the Government’s Funds**

The City of Sonoma uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City’s operations in more detail than the government-wide financial statements.

**Governmental funds.** The City’s governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2019, the City’s governmental funds reported combined fund balances of \$10.8 million. This represents an increase of \$1.0 million or (10.6%) from the prior year.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2019, the General Fund’s fund balance totaled \$9.5 million of which \$4.7 million was committed by the City Council for emergency and operating reserves. \$.7 million was assigned – these are resources that are constrained by City Council’s intent to be used for specific purposes but are neither restricted nor committed. The remaining fund balance of \$4.05 million was unassigned.



**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management’s Discussion and Analysis, Continued**

**Proprietary funds.** The City’s proprietary funds unrestricted net position increased by \$2.1 million in the fiscal year ended June 30, 2019. This increase was mainly due to a reduction in water fund capital contributions of \$2.3 million from the previous fiscal year.

**General Fund Budgetary Highlights**

General Fund revenues totaled \$19.4 million for the fiscal year ended June 30, 2019 which was \$0.8 million or 6% over the budget estimate of \$16.9 million. Total General Fund expenditures were \$18.8 million or 1.25% over the budget appropriation of \$18.6 million.

**Capital Assets**

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounted to \$57.9 million. This investment in capital assets includes land, buildings and improvements, equipment and vehicles, infrastructure and construction in progress.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,141,367	\$ 5,141,367	\$ 960,472	\$ 960,472	\$ 6,101,839	\$ 6,101,839
Buildings and improvements	14,495,483	14,984,448	1,881,148	1,943,513	16,376,631	16,927,961
Equipment and vehicles	2,265,882	2,320,489	154,940	185,791	2,420,822	2,506,280
Infrastructure	18,193,831	18,424,815	14,132,454	14,633,177	32,326,285	33,057,992
Construction in progress	633,901	551,027	5,638	4,828	639,539	555,855
<b>Total</b>	<b>\$ 40,730,464</b>	<b>\$ 41,422,146</b>	<b>\$ 17,134,652</b>	<b>\$ 17,727,781</b>	<b>\$ 57,865,116</b>	<b>\$ 59,149,927</b>

During the fiscal year ended June 30, 2019, the City’s total investment in capital assets decreased by \$1.3 million. Additions included \$.08 million in construction activity, \$.4 million in equipment purchases offset by \$.3 million dollars in equipment retirements and \$1.9 million of depreciation adjustments. Additional information about the City’s capital assets can be found in Note F on pages 45 and 46 in the Notes to the Basic Financial Statements.

**Long-term Debt**

At June 30, 2019, the City’s debt was comprised of the following:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital Lease Obligations	\$ 208,745	\$ 250,494	\$ -	\$ -	\$ 208,745	\$ 250,494
Pension Obligation bonds	775,000	1,140,000	-	-	775,000	1,140,000
PG&E Loan	113,636	181,818	-	-	113,636	181,818
Water Installment Sale	-	-	1,210,000	1,285,000	1,210,000	1,285,000
<b>Total</b>	<b>\$ 1,097,381</b>	<b>\$ 1,572,312</b>	<b>\$ 1,210,000</b>	<b>\$ 1,285,000</b>	<b>\$ 2,307,381</b>	<b>\$ 2,857,312</b>

**City of Sonoma, California**  
**Basic Financial Statements**  
**For the Year ended June 30, 2019**

**Management's Discussion and Analysis, Continued**

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The City made all required debt service payments on the issues listed above. Additional information on outstanding debt may be found on pages 47 and 48 in the Notes to the Basic Financial Statements.

**Economic Outlook**

The local economy continued to perform well during the 2018-19 fiscal year. The City's population increased to 11,253 in 2019 and is projected to reach 11,286 by 2023. Between 2010 and 2019, the City's population increased by 5.2%, the fifth highest growth rate among cities within Sonoma County. Total taxable sales increased by .5% to \$274.1 million in 2019, consistent with the post-recession economic recovery forecasts. Additionally, Sonoma realized the highest taxable sales per capita, at \$25,000. Sonoma's total number of businesses ranked fourth highest among Sonoma County cities at 1,028, and the amount of businesses per resident stood second highest at 97 businesses per 1,000 residents, which explains the city's high taxable sales per capita. The median home sales price increased to \$847,500 in 2018 and by the end of 2019 to \$940,000, the highest among Sonoma County's nine cities. The median household income in 2019 was \$76,015, the third highest amongst Sonoma County's nine cities. In 2019, Sonoma's unemployment rate of 3.77% was lower than the California average of 4.2% but higher than Sonoma County at 2.7%.

Subsequent to the FY 2018-19 audit, on March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 pandemic and related state and local shelter-in-place orders are disrupting the tourist based transient occupancy taxes and related sales tax for Cities who rely on the tourist industry as their major revenue sources. The City has lost a significant amount of revenue due to this pandemic and has implemented various financial responses, including reassigning certain funds, and reducing spending. As a result of fiscal prudence, the City has developed healthy financial reserves. Use of reserves is an appropriate and important part of the budget solution related to this world-wide health emergency. However, these are one-time funds, so the City has developed a multi-year General Fund forecast model as a tool for remaining on a financially sustainable path, with several scenarios for key revenues. The impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are unclear and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

**Requests for Information**

The Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sonoma Finance Department, No. 1 The Plaza, Sonoma, CA 95476, or visit the City's web page at [www.sonomacity.org](http://www.sonomacity.org).

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SONOMA**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 14,355,372	\$ 3,707,337	\$ 18,062,709
Taxes receivable	2,175,294		2,175,294
Accounts receivable, net	625,369	803,283	1,428,652
Internal balances	302,540	(302,540)	-
Interest receivable	82,203	12,331	94,534
Due from other governments	12,607		12,607
Other assets	61,535	13,267	74,802
Notes receivable, net	300,580		300,580
Interfund advances	(516,925)	516,925	-
Capital assets:			
Non-depreciable	5,775,268	966,110	6,741,378
Depreciable, net of accumulated depreciation	34,955,196	16,168,542	51,123,738
Total capital assets	<u>40,730,464</u>	<u>17,134,652</u>	<u>57,865,116</u>
<b>TOTAL ASSETS</b>	<u><b>58,129,039</b></u>	<u><b>21,885,255</b></u>	<u><b>80,014,294</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	2,983,653	373,497	3,357,150
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>2,983,653</b></u>	<u><b>373,497</b></u>	<u><b>3,357,150</b></u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,372,248	265,494	1,637,742
Other payables	12,670		12,670
Accrued interest payable	2,584	11,798	14,382
Deposits payable	462,843	191,639	654,482
Long-term liabilities:			
Due within one year			
Bonds, capital leases and contracts	489,931	75,000	564,931
Compensated absences	147,367	43,554	190,921
Due in more than one year			
Bonds, capital leases and contracts	607,450	1,135,000	1,742,450
Compensated absences	88,289	22,702	110,991
Net pension liability	13,134,841	1,317,874	14,452,715
<b>TOTAL LIABILITIES</b>	<u><b>16,318,223</b></u>	<u><b>3,063,061</b></u>	<u><b>19,381,284</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	1,367,967	145,979	1,513,946
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>1,367,967</b></u>	<u><b>145,979</b></u>	<u><b>1,513,946</b></u>
<b>NET POSITION</b>			
Net investment in capital assets	40,408,083	15,924,652	56,332,735
Restricted for:			
Public safety	107,398		107,398
Public works	1,046,657		1,046,657
Community development	250,532		250,532
Debt service	1,742		1,742
Unrestricted	1,612,090	3,125,060	4,737,150
<b>TOTAL NET POSITION</b>	<u><b>\$ 43,426,502</b></u>	<u><b>\$ 19,049,712</b></u>	<u><b>\$ 62,476,214</b></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental Activities				
General government	\$ 3,235,101	\$ 36,044	\$ 112,429	
Public safety	12,079,192	1,699,185	1,153,598	
Public works	3,030,048	503,818	58,909	\$ 294,793
Community development	1,621,807	462,091	32,500	
Parks and recreation	552,536	33,968		
Interest on long-term debt	45,883			
Total governmental activities	<u>20,564,567</u>	<u>2,735,106</u>	<u>1,357,436</u>	<u>294,793</u>
Business-type activities				
Water	3,195,921	5,027,374		388,833
Cemetery	342,404	133,745		
Interest on long-term debt	47,921			
Total business-type activities	<u>3,586,246</u>	<u>5,161,119</u>	<u>-</u>	<u>388,833</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 24,150,813</u>	<u>\$ 7,896,225</u>	<u>\$ 1,357,436</u>	<u>\$ 683,626</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes

Transient occupancy taxes, levied for general purposes

Sales taxes

Measure J

Franchise taxes

Other taxes

Intergovernmental:

State motor vehicle in-lieu tax (MVLFF)

Unrestricted investment earnings

Other general revenues

Total general revenues

Transfers

Transfer related to fiduciary activities

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and Changes in Net Position**  
**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,086,628)		\$ (3,086,628)
(9,226,409)		(9,226,409)
(2,172,528)		(2,172,528)
(1,127,216)		(1,127,216)
(518,568)		(518,568)
(45,883)		(45,883)
<u>(16,177,232)</u>		<u>(16,177,232)</u>
	\$ 2,220,286	2,220,286
	(208,659)	(208,659)
	(47,921)	(47,921)
<u>-</u>	<u>1,963,706</u>	<u>1,963,706</u>
<u>(16,177,232)</u>	<u>1,963,706</u>	<u>(14,213,526)</u>
3,468,468		3,468,468
4,000,953		4,000,953
3,361,377		3,361,377
2,588,046		2,588,046
530,607		530,607
310,788		310,788
1,084,317		1,084,317
359,476	71,177	430,653
98,561	145,868	244,429
<u>15,802,593</u>	<u>217,045</u>	<u>16,019,638</u>
577,062	(577,062)	-
(9,372)		(9,372)
<u>16,370,283</u>	<u>(360,017)</u>	<u>16,010,266</u>
193,051	1,603,689	1,796,740
<u>43,233,451</u>	<u>17,446,023</u>	<u>60,679,474</u>
<u>\$ 43,426,502</u>	<u>\$ 19,049,712</u>	<u>\$ 62,476,214</u>

**CITY OF SONOMA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<b>Major Fund</b>		
	<b>General Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 8,504,947	\$ 1,583,697	\$ 10,088,644
Receivables:			
Taxes receivable	2,111,786	63,508	2,175,294
Accounts receivable, net	614,051	11,318	625,369
Intergovernmental	12,607		12,607
Interest receivable	65,121	6,612	71,733
Notes receivable	75,000		75,000
Due from other funds	277,437		277,437
Prepaid items	61,535		61,535
	<b>TOTAL ASSETS</b>	<b>\$ 1,665,135</b>	<b>\$ 13,387,619</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,239,705	\$ 107,199	\$ 1,346,904
Due to other funds		25,008	25,008
Retention payable		3,250	3,250
Advances from other funds	516,925		516,925
Deposits payable	311,126	142,460	453,586
Other liabilities	9,062	33	9,095
	<b>TOTAL LIABILITIES</b>	<b>277,950</b>	<b>2,354,768</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	179,816		179,816
<b>Fund balances:</b>			
Nonspendable - prepaid items	61,535		61,535
Restricted for:			
Public safety		107,398	107,398
Public works		1,046,657	1,046,657
Community development		250,532	250,532
Debt service		1,742	1,742
Committed	4,680,251		4,680,251
Assigned	676,033		676,033
Unassigned (deficit)	4,048,031	(19,144)	4,028,887
	<b>TOTAL FUND BALANCES</b>	<b>1,387,185</b>	<b>10,853,035</b>
	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,665,135</b>	<b>\$ 13,387,619</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF SONOMA**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2019**

Total fund balance, governmental funds	\$	10,853,035
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		40,730,464
Revenues which are deferred on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.		179,816
Pension contributions subsequent to the plan's measurement date and other deferrals will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.		2,983,653
Internal service funds are used by management to charge the costs of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. This amount excludes long-term assets and liabilities reported separately below.		4,515,379
Long-term assets and liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Long-term debt		(1,097,381)
Compensated absences		(235,656)
Net pension liability		(13,134,841)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.		(1,367,967)
		(1,367,967)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION</b>	<b>\$</b>	<b><u><u>43,426,502</u></u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<u>Major Fund</u>		<b>Total Governmental Funds</b>
	<u>General Fund</u>	<b>Other Governmental Funds</b>	
<b>REVENUES</b>			
Property taxes	\$ 4,374,081		\$ 4,374,081
Sales taxes	5,949,423		5,949,423
Other taxes	5,143,448	\$ 128,078	5,271,526
Licenses and permits	9,177	20,137	29,314
Fines and forfeitures	80,528		80,528
Intergovernmental	1,321,586	638,495	1,960,081
Use of money and property	386,139	22,792	408,931
Charges for services	2,162,881		2,162,881
Reimbursements	4,925		4,925
Other revenues	16,543		16,543
TOTAL REVENUES	<u>19,448,731</u>	<u>809,502</u>	<u>20,258,233</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	2,894,500		2,894,500
Public safety	11,541,845	29	11,541,874
Public works	2,357,306	73,929	2,431,235
Community development	1,400,331	56,740	1,457,071
Parks and recreation	520,452		520,452
Debt Service:			
Principal	68,182	406,749	474,931
Interest and other charges		45,883	45,883
Capital outlay	19,952	403,315	423,267
TOTAL EXPENDITURES	<u>18,802,568</u>	<u>986,645</u>	<u>19,789,213</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>646,163</u>	<u>(177,143)</u>	<u>469,020</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer related to fiduciary activities	(9,372)		(9,372)
Transfers in	677,062	1,033,469	1,710,531
Transfers out	(1,033,469)	(100,000)	(1,133,469)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(365,779)</u>	<u>933,469</u>	<u>567,690</u>
CHANGE IN FUND BALANCE	280,384	756,326	1,036,710
Fund balances, beginning of year	<u>9,185,466</u>	<u>630,859</u>	<u>9,816,325</u>
FUND BALANCES, END OF YEAR	<u>\$ 9,465,850</u>	<u>\$ 1,387,185</u>	<u>\$ 10,853,035</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2019**

Net change in fund balances - total governmental funds: \$ 1,036,710

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	423,267
Depreciation expense	(1,350,351)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(135,005)
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceed proceeds, net of amortization of deferred amount on refunding.	474,931
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Internal service funds are used by management to charge the costs of activities to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	539,496
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences	(36,732)
Change in deferred outflow of resources	(325,170)
Change in net pension obligation	(670,790)
Change in deferred inflow of resources	236,695
	236,695

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 193,051</b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**

**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 4,035,200	\$ 4,061,705	\$ 4,374,081	\$ 312,376
Sales taxes	5,529,596	5,559,249	5,949,423	390,174
Other taxes	5,171,060	5,356,751	5,143,448	(213,303)
Licenses and permits	9,662	9,662	9,177	(485)
Fines and forfeitures	101,640	101,640	80,528	(21,112)
Intergovernmental	408,500	507,909	1,321,586	813,677
Use of money and property	161,145	161,145	386,139	224,994
Charges for services	3,060,825	2,855,577	2,162,881	(692,696)
Reimbursements			4,925	4,925
Other revenues	5,000	5,000	16,543	11,543
TOTAL REVENUES	<u>18,482,628</u>	<u>18,618,638</u>	<u>19,448,731</u>	<u>830,093</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,577,501	2,870,846	2,894,500	(23,654)
Public safety	11,386,854	11,411,644	11,541,845	(130,201)
Public works	2,591,054	2,600,940	2,357,306	243,634
Community development	1,456,957	1,524,809	1,400,331	124,478
Parks and recreation	550,487	556,112	520,452	35,660
Debt Service:				
Principal			68,182	(68,182)
Capital outlay	7,000	7,000	19,952	(12,952)
TOTAL EXPENDITURES	<u>18,569,853</u>	<u>18,971,351</u>	<u>18,802,568</u>	<u>168,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(87,225)</u>	<u>(352,713)</u>	<u>646,163</u>	<u>998,876</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer related to fiduciary activities			(9,372)	(9,372)
Transfers in	677,063	852,063	677,062	(175,001)
Transfers out	(1,057,035)	(1,057,035)	(1,033,469)	23,566
TOTAL OTHER FINANCING SOURCES AND USES	<u>(379,972)</u>	<u>(204,972)</u>	<u>(365,779)</u>	<u>(160,807)</u>
NET CHANGE IN FUND BALANCES	(467,197)	(557,685)	280,384	838,069
Fund balances, beginning of year	<u>9,185,466</u>	<u>9,185,466</u>	<u>9,185,466</u>	
FUND BALANCES , END OF YEAR	<u>\$ 8,718,269</u>	<u>\$ 8,627,781</u>	<u>\$ 9,465,850</u>	<u>\$ 838,069</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	Business-Type Activities-			Governmental
	Water	Cemetery	Total	Internal Service Funds
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ 3,688,796	\$ 18,541	\$ 3,707,337	\$ 4,266,728
Receivables:				
Accounts	801,669	1,614	803,283	
Interest	12,162	169	12,331	10,470
Notes				225,580
Due from other funds				288,613
Advances to other funds	516,925		516,925	
Prepaid items	11,481	1,786	13,267	
Total current assets	<u>5,031,033</u>	<u>22,110</u>	<u>5,053,143</u>	<u>4,791,391</u>
<b>Noncurrent assets:</b>				
Capital assets				
Non-depreciable	769,806	196,304	966,110	
Depreciable, net of accumulated	14,975,515	1,193,027	16,168,542	1,904,991
Total non-current assets	<u>15,745,321</u>	<u>1,389,331</u>	<u>17,134,652</u>	<u>1,904,991</u>
TOTAL ASSETS	<u>20,776,354</u>	<u>1,411,441</u>	<u>22,187,795</u>	<u>6,696,382</u>
<b>Deferred outflow of resources:</b>				
Pensions	294,791	78,706	373,497	
Total deferred outflow of resources	<u>294,791</u>	<u>78,706</u>	<u>373,497</u>	<u>-</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	254,397	11,097	265,494	27,928
Due to other funds		541,042	541,042	
Deposits payable	116,225	75,414	191,639	9,257
Interest payable	11,798		11,798	
Compensated absences, current portion	32,998	10,556	43,554	
Loans payable, current portion	75,000		75,000	
Unearned revenue				325
Total current liabilities	<u>490,418</u>	<u>638,109</u>	<u>1,128,527</u>	<u>37,510</u>
<b>Non-current liabilities:</b>				
Compensated absences	16,241	6,461	22,702	
Loans payable	1,135,000		1,135,000	
Net pension liability	1,040,161	277,713	1,317,874	
Total non-current liabilities	<u>2,191,402</u>	<u>284,174</u>	<u>2,475,576</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,681,820</u>	<u>922,283</u>	<u>3,604,103</u>	<u>37,510</u>
<b>Deferred inflow of resources:</b>				
Pensions	115,216	30,763	145,979	
Total deferred inflow of resources	<u>115,216</u>	<u>30,763</u>	<u>145,979</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	14,535,321	1,389,331	15,924,652	1,904,991
Unrestricted (deficit)	3,738,788	(852,230)	2,886,558	4,753,881
TOTAL NET POSITION	<u>\$ 18,274,109</u>	<u>\$ 537,101</u>	<u>18,811,210</u>	<u>\$ 6,658,872</u>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position. 238,502

TOTAL NET POSITION PER GOVERNMENT-WIDE FINANCIAL STATEMENTS \$ 19,049,712

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Business-Type Activities- Enterprise Funds</b>		<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Water</b>	<b>Cemetery</b>		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,027,374	\$ 133,745	\$ 5,161,119	
Interdepartmental charges				\$ 822,191
Other operating revenue	16,019	129,849	145,868	1,190
TOTAL OPERATING REVENUES	<u>5,043,393</u>	<u>263,594</u>	<u>5,306,987</u>	<u>823,381</u>
<b>OPERATING EXPENSES</b>				
Personnel expense	252,028	228,374	480,402	
Maintenance and operations	43,414	3,644	47,058	142,185
Depreciation	555,041	38,898	593,939	252,466
Other operating expenses	2,465,747	79,636	2,545,383	78,752
TOTAL OPERATING EXPENSES	<u>3,316,230</u>	<u>350,552</u>	<u>3,666,782</u>	<u>473,403</u>
OPERATING INCOME (LOSS)	<u>1,727,163</u>	<u>(86,958)</u>	<u>1,640,205</u>	<u>349,978</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	69,616	1,561	71,177	65,509
Interest expense	(47,921)		(47,921)	
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>21,695</u>	<u>1,561</u>	<u>23,256</u>	<u>65,509</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,748,858</u>	<u>(85,397)</u>	<u>1,663,461</u>	<u>415,487</u>
Capital contributions	388,833		388,833	
Transfers in		37,980	37,980	
Transfers out	(615,042)		(615,042)	
CHANGE IN NET POSITION	<u>1,522,649</u>	<u>(47,417)</u>	<u>1,475,232</u>	<u>415,487</u>
Net position, beginning of year	<u>16,751,460</u>	<u>584,518</u>	<u>17,335,978</u>	<u>6,243,385</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 18,274,109</u>	<u>\$ 537,101</u>		<u>\$ 6,658,872</u>
Change in net position			1,475,232	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>128,457</u>	
CHANGE IN NET POSITION OF BUSINESS TYPE ACTIVITIES			<u>\$ 1,603,689</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Business-Type Activities-</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities</b>
	<b>Water</b>	<b>Cemetery</b>	<b>Total</b>	<b>Internal Service</b>
				<b>Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 5,127,999	\$ 261,980	\$ 5,389,979	
Cash paid to suppliers	(2,437,354)	(71,289)	(2,508,643)	\$ (214,089)
Cash paid to employees and related benefits	(871,754)	(200,380)	(1,072,134)	(12,952)
Cash (paid) received from interfund services provided	(164,518)	(11,142)	(175,660)	822,191
Other operating revenues received				1,190
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,654,373</b>	<b>(20,831)</b>	<b>1,633,542</b>	<b>596,340</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Amounts received (paid) to other funds	(615,042)	37,980	(577,062)	
Other revenues received				43,073
<b>CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(615,042)</b>	<b>37,980</b>	<b>(577,062)</b>	<b>43,073</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital expenditures	(810)		(810)	(235,403)
Capital revenues received	395,201		395,201	45,242
Principal paid on long-term liabilities	(75,000)		(75,000)	
Interest paid on long-term liabilities	(48,652)		(48,652)	
<b>CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>270,739</b>	<b>-</b>	<b>270,739</b>	<b>(190,161)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	57,454	1,392	58,846	55,040
<b>CHANGE IN CASH AND INVESTMENTS</b>	<b>1,367,524</b>	<b>18,541</b>	<b>1,386,065</b>	<b>504,292</b>
Cash and investments, beginning of year	2,321,272		2,321,272	3,762,436
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<b>\$ 3,688,796</b>	<b>\$ 18,541</b>	<b>\$ 3,707,337</b>	<b>\$ 4,266,728</b>
<b>RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 1,727,163	\$ (86,958)	\$ 1,640,205	\$ 349,978
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	555,041	38,898	593,939	252,466
Change in pension obligation and related deferred inflows (outflows)	(580,039)	24,718	(555,321)	
Changes in operating assets and liabilities:				
Accounts and other receivables	84,606	(1,614)	82,992	3,785
Prepaid expenses	(11,481)	(1,786)	(13,267)	59,691
Accounts payable and accrued expenses	(99,330)	2,635	(96,695)	(68,389)
Deposits payable	18,100		18,100	
Unearned revenue				(1,191)
Compensated absences	(39,687)	3,276	(36,411)	
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,654,373</b>	<b>\$ (20,831)</b>	<b>\$ 1,633,542</b>	<b>\$ 596,340</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SONOMA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2019**

	Private-Purpose Trust Fund	Agency Funds
	Successor Agency	Former Sonoma Community Development Agency
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 3,443,068	\$ 5,935,829
Due from other agencies		132,436
Cash and investments with trustee/fiscal agent	7,673,055	
Receivables:		
Accounts		5,799
Taxes		191,885
Interest	1,268	5,890
Total current assets	11,117,391	6,271,839
<b>Other assets:</b>		
Capital assets:		
Nondepreciable		131,472
Depreciable, net		2,029,326
Total other assets		2,160,798
<b>TOTAL ASSETS</b>	<b>\$ 11,117,391</b>	<b>\$ 8,432,637</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 193,288	\$ 385,853
Amount held in trust		8,046,784
Interest payable	156,547	
Notes payable, due within one year	134,838	
Bonds payable, due within one year	1,180,000	
Total current liabilities	1,664,673	
<b>Long-term liabilities:</b>		
Notes payable, due after one year	1,935,375	
Bonds payable, due after one year	31,250,642	
Total long-term liabilities	33,186,017	
<b>TOTAL LIABILITIES</b>	34,850,690	<b>\$ 8,432,637</b>
<b>Net position (deficit):</b>		
Net position held in trust for:		
Redevelopment Dissolution	(23,733,299)	
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(23,733,299)</b>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 11,117,391</b>	

The accompanying notes are an integral part of these financial statements.



**CITY OF SONOMA**  
**Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Year Ended June 30, 2019**

	Private-Purpose Trust Funds
<b>ADDITIONS:</b>	
Property taxes	\$ 3,460,260
Investment income	195,415
	3,655,675
<b>DEDUCTIONS:</b>	
Community development	445,350
Interest and trustee fees	1,916,973
Transfers to the County of Sonoma	20,788
	2,383,111
Change in Net Position	1,272,564
Net position, beginning of year	(25,005,863)
Net position, end of year	\$ (23,733,299)

The accompanying notes are an integral part of these financial statements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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## CITY OF SONOMA

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sonoma (City) was incorporated in 1883, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety, public works and facilities, community services, public utilities, and community development.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City applies all GASB pronouncements to its activities. The more significant of these accounting policies are described below.

#### **Financial Reporting Entity**

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales tax, property tax, Measure J (Transactions and Use Tax), and Transient Occupancy Tax (TOT).

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Sonoma, Finance Department, 1 The Plaza Sonoma, CA 95476.

The City's reporting entity includes the following blended component unit:

Sonoma Community Housing Corporation – was created as a public benefit corporation to provide affordable public housing. It is governed by two members of the City Council and two City employees. The only activity of the Sonoma Community Housing Corporation is reported in the Sonoma Creek Senior Housing Special Revenue Fund.

Sonoma Public Financing Authority – is governed by a board comprised of members of the City's elected Council.

The above component units are included in the City's basic financial statements using the blended method because of the significance of their operational or financial relationships with the City. There are no component units of the City that meet the criteria for discrete presentation.

## CITY OF SONOMA

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City is a member of joint powers authorities (JPA) in which the City has only a residual equity interest in the related entity. The City is not liable for the liabilities of the entities if they dissolve under the related JPA agreement. However, Senate Bill 1912, effective January 1, 2019, requires members of a JPA that participates in a public retirement system to agree on the apportionment of the JPA's retirement liability to the members of the JPA if the JPA dissolves or otherwise terminates its contract with the public retirement system. The City is a member of the following joint ventures: Sonoma County Waste Management Agency (WMA) (waste recycle services), Sonoma County Library JPA, Sonoma County Public Safety Consortium (SCPSC), Sonoma Valley Fire & Rescue Authority (SVFRA) (fire and emergency medical services), Sonoma Valley Groundwater Sustainability Agency (SGA) (groundwater sustainability planning) and Sonoma Valley Citizens Advisory Commission (SVCAC) (local planning). The financial statements of the joint powers authorities are available on the websites of the related entities, if applicable.

During the year ended June 30, 2019, no amounts were contributed to WMA or Sonoma County Library JPA or SVCAC. The City paid \$84,145 to SCPSC, \$5,260,948 to SVFRA and \$97,767 to SGA during the year ended June 30, 2019.

#### **Basis of Presentation**

##### *Government-Wide Financial Statements*

The government-wide statement of net position and statement of activities display information about the nonfiduciary activities of the government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues, while business-type activities rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources classified as program revenues are reported as *general revenues*.

##### *Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental fund in the accompanying financial statements:

- **General Fund** – The General Fund is the primary operating fund of the City. It accounts for all activities except those legally or administratively required to be accounted for in another fund. From this fund are paid the City’s general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

The City reported both of its enterprise funds as major funds in the accompanying financial statements:

- **Water Enterprise Fund** – Accounts for the operations of the City’s treatment and distribution system.
- **Cemetery Enterprise Fund** – Accounts for the operation and maintenance of the Mountain Valley and Veteran’s Cemeteries.

Additionally, the City reports the following fund types:

***Governmental Funds***

*Special Revenue Funds* - Special revenue funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

*Capital Project Funds* - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

*Debt Service Funds* – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

*Internal Service Funds* – Internal service funds are used to account for building maintenance, fleet and information technology services provided to other departments or agencies of the City on a cost-reimbursement basis.

***Proprietary Funds***

*Enterprise Funds* - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

***Fiduciary Funds***

*Private Purpose Trust Funds* - Private Purpose Trust Funds are used to account for fiduciary assets not required to be reported in another fiduciary fund type. The City’s private purpose trust funds are used to account for the activities of the Successor Agency to the Community Redevelopment Agency of City of Sonoma as described in Note M.

## CITY OF SONOMA

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Agency Funds* - Agency Funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not presented in the government-wide financial statements.

#### **Measurement Focus**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds, with the exception of agency funds, which have no measurement focus. The accounting objectives of economic resources measurement focus are the determination of net income, financial position, and cash flows. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded in the year for which they are levied. Sales taxes are recognized when the underlying sales transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. All assets and liabilities (whether current or noncurrent) as well as deferred outflows and inflows of resources, associated with their activities are reported. Fund equity is classified as net position, which serves as an indicator of financial position.

In the governmental fund financial statements, the “current financial resources” measurement focus is used and the modified accrual basis of accounting. Only current financial assets and liabilities along with deferred outflows and inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

#### **Basis of Accounting**

In the government-wide statements, proprietary funds and private purpose trust funds are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund, including charges for services. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount, and available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant, sales tax and emergency medical services (EMS) revenues. Grant revenues are considered to be available if collected within 180 days and sales tax and EMS revenues are considered to be available if collected within 90 days of the end of the current fiscal period.



CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Accounts Receivable**

Included in accounts receivable in the General Fund are ambulance fees receivable arising from billings to insurance companies and patients for ambulance services. The City has a receivable balance of \$225,814, which is net of an allowance for doubtful accounts of \$212,424 at June 30, 2019. The allowance includes an estimate for future uncollectible debt and insurance write-offs.

**Property Tax Revenues**

Sonoma County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

**Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated acquisition cost at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

*Government-Wide Statements*

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25 – 50 years
Machinery and equipment	8 – 30 years
Furniture and fixtures	5 – 12 years
Software	5 – 7 years
Infrastructure	5 – 60 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred outflows/inflows of resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants and other revenues when the amounts meet the asset recognition criteria under GASB 33 and were accrued as receivables, but the amounts were not received in the availability period. Deferred outflows and inflows of resources include amounts deferred related to the City's pension plans under GASB 68 as described in Note I.

**Compensated Absences**

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for 40 to 120 hours of unused annual leave depending upon their length of service. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

**Long-term Obligations**

Long-term debt of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**Equity Classification**

*Government-Wide Statements*

Equity in government-wide and proprietary fund statements is classified as net position and is displayed in three components:

*Net investment capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages,

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The net investment in capital assets for the City represents the balance of capital assets, net of depreciation since the City has no long-term liabilities outstanding.

*Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.

*Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance and displayed in the following components:

***Nonspendable Fund Balance*** – Assets that will never convert to cash (prepaid items and inventory) and assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable not deferred in the fund statements).

***Restricted Fund Balance*** – Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments), or subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g., Gas Tax).

***Committed Fund Balance*** – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council modifies or removes the fund balance commitment.

***Assigned Fund Balance*** – Resources constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. Governmental fund amounts in excess of nonspendable, restricted and committed in other than the General Fund are automatically reported as assigned.

***Unassigned Fund Balance*** – Unassigned fund balance is the residual classification of the City’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City’s committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net position liability is generally liquidated by the City's General, Internal Service and Water Funds.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

**New Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for periods beginning after June 15, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if the holding meets the definition of an investment. Special-purpose governments engaged in only fiduciary activities, fiduciary funds and endowments should measure the majority equity interest that meets the definition of an investment at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit because it is considered to be financially accountable for the legally separate organization and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

The City is currently analyzing the impact of the required implementation of these new statements.

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the Sonoma Municipal Code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal City Council action or approval.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

The City establishes budgets for all governmental funds except the Public, Educational and Governmental, Strong Motion, Asset Forfeiture, Bond Property Maintenance, Schell Drainage, Abandoned Vehicle, Parks Measure M and Sonoma Creek Senior Housing Funds.

No funds had expenditures in excess of the final appropriation for the year ended June 30, 2019.

NOTE C – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. At June 30, 2019, the City's pooled cash and investments are classified in the accompanying financial statements as follows:

Government-wide Statements of Net Position	
Governmental Activities	\$ 14,355,372
Business-type Activities	3,707,337
Statement of Fiduciary Net Position	
Private Purpose Trust Fund	3,443,068
Private Purpose Trust Fund - Restricted Cash	7,673,055
Agency Funds	5,935,829
	<hr/>
Total cash and investments	<u>\$ 35,114,661</u>

As of June 30, 2019, the City's cash and investments consisted of the following:

Cash on hand	\$ 850
Deposits with financial institutions	11,518,032
Investments:	
Held by City	15,922,724
Held by fiscal agents	7,673,055
	<hr/>
Total cash and investments	<u>\$ 35,114,661</u>

Investments Authorized by the California Government Code and the City's Investment Policy: The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The following table also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE C – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Government Agency securities	5 years	None	None
Bankers' Acceptances	270 days	30%	30%
Negotiable Certificate of Deposit	5 years	50%	None
Certificates of Deposits	5 years	None	None
State of California Local Agency Investment Fund (State Pool)	N/A	None	\$50 Million per entity
Money Market Funds	N/A	None	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
Repurchase Agreements	1 year	25%	None

Investments Authorized by Debt Agreements: The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposits with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City generally manages its interest rate risk by investing in the Local Agency Investment Fund (LAIF), which provides the necessary cash flow and liquidity needed for operations, as well as purchasing a combination of shorter term and longer term investments so that a portion of the portfolio is maturing or coming close to maturing evenly over time.



CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE C – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity or earliest call date:

Authorized Investment Type	12 Months or less	13 to 36 Months	Total
California Local Agency Investment Fund	\$ 15,922,724		\$ 15,922,724
Certificates of deposit	213,296		213,296
Money market mutual fund	7,673,055		7,673,055
Total investments	23,809,075	-	23,809,075
Cash on hand	850		850
Cash in bank	11,304,736		11,304,736
Total cash and investments	\$ 35,114,661	\$ -	\$ 35,114,661

Investment in LAIF: The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The total fair value amount invested by all public agencies in LAIF is \$106,046,486,872, managed by the State Treasurer. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by the State Statute. At June 30, 2019, these investments matured in an average of 173 days.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following are credit ratings issued by Moody’s and Standard and Poor’s as of June 30, 2019:

Investment Type	Aaa/AAA	Not Rated	Total
California Local Agency Investment Fund		\$ 15,922,724	\$ 15,922,724
Certificates of deposit		213,296	213,296
Money market mutual fund	\$ 7,673,055		7,673,055
Totals	\$ 7,673,055	\$ 16,136,020	\$ 23,809,075

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE C – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the City has no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. No investments exceeded 5% of total investments at June 30, 2019.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2019, the City had \$11,754,587 in deposits at banks above the federally insured limit, which are collateralized.

Fair Value Measurement: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2019:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market mutual fund	\$ 7,673,055		\$ 7,673,055	
Total investments by fair value level	7,673,055	\$ -	\$ 7,673,055	\$ -
Investments uncategorized				
California Local Agency Investment Fund	15,922,724			
Certificates of deposit	213,296			
	<u>\$ 23,809,075</u>			

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE C – CASH AND INVESTMENTS (Continued)

All securities classified in Level 2 are valued using pricing models that are based on market data, such as matrix or model pricing, which use standard inputs, which include benchmark yields, reported trades, broker/dealer quotes, issue spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

NOTE D – NOTES RECEIVABLE

The City and the Valley of the Moon Fire District have entered into a capital lease for a fire apparatus. At June 30, 2019, the lease receivable balance was \$225,255.

Future minimum lease payments to be received are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 43,720	\$ 3,379
2021	44,375	2,723
2022	45,041	2,057
2023	45,717	1,382
2024	<u>46,402</u>	<u>696</u>
Total	<u>\$ 225,255</u>	<u>\$ 10,237</u>

The City loaned \$75,000 at an interest rate of 0.654% to Satellite Affordable Housing Associates (SAHA) in the year ended June 30, 2018 for predevelopment costs associated with developing an affordable housing project. The City received repayment on this loan in April 2020.

The City also has loans to employees for computers totaling \$325.

NOTE E – INTERFUND TRANSACTIONS

Interfund transactions between funds are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables or payables as appropriate, and are subject to elimination upon consolidation. The City transfers resources among funds in the course of normal operations. Services provided, deemed to be at market or near market rates, such as vehicle maintenance, are accounted for as revenues and expenditures/ expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions are reported as transfers.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE E – INTERFUND TRANSACTIONS (Continued)

Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2019 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Capital Improvement Program Fund	\$ 277,000 (B)
	Road Maintenance SB1 Fund	302,620 (B)
	2008 CREB Debt Service Fund	41,749 (C)
	2012 Pension Obligation Bonds Debt Service Fund	412,100 (C)
Major Enterprise Funds:		
Water	General Fund	577,062 (A)
	Cemetery Fund	37,980 (A)
Non-Major Special Revenue Funds:		
Supplemental Law Enforcement	General Fund	<u>100,000 (A)</u>
		<u>\$ 1,748,511</u>

- (A) Transfer resources to fund incurring expenditures
- (B) Transfer to fund capital improvements
- (C) Transfer to fund debt service payments

The Water Fund transfers were made to provide resources recorded to other funds for water projects or related activities.

Other Special Revenue transfers out were to fund various programs and projects expended out of other funds.

Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2019, the following funds have interfund balances.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE E – INTERFUND TRANSACTIONS (Continued)

<u>Fund Making Loan</u>	<u>Fund Receiving Loan</u>	<u>Amount</u>
General Fund	Major Enterprise Fund:	
	Cemetery Fund	\$ 252,429
	Non-Major Special Revenue Funds:	
	Bond Property Maintenance	19,144
	Abandoned Vehicle	5,864
Internal Service Funds	Major Enterprise Fund	
	Cemetery Fund	<u>288,613</u>
	Total Due To/Due From Other Funds	<u><u>\$ 566,050</u></u>

Long-Term Interfund Advances

At June 30, 2019, the funds below had made advances which were not expected to be paid within the next year.

<u>Advance to Other Funds</u>	<u>Advance From Other Funds</u>	<u>Amount</u>
General Fund	Water Fund	<u>\$ 516,925</u>
	Total Interfund Advances	<u><u>\$ 516,925</u></u>

The General Fund is reflecting an advance from the Water Fund for interfund transfers made from the Water Fund to General Fund related to franchise fees, and in lieu property tax that were determined to be disallowed. The City sequestered the related transfers from July 1, 2014 to June 30, 2017 as an interfund advance that will be repaid with the sale of water-related infrastructure capital assets to the Water Fund.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE F – CAPITAL ASSETS

Capital assets at June 30 comprise:

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Land	\$ 5,141,367				\$ 5,141,367
Construction in progress	551,027	\$ 403,315		\$ (320,441)	633,901
Total capital assets, not being depreciated	<u>5,692,394</u>	<u>403,315</u>	<u>-</u>	<u>(320,441)</u>	<u>5,775,268</u>
Capital assets, being depreciated:					
Buildings and improvements	24,172,569				24,172,569
Equipment and vehicles	6,184,486	255,354	\$ (5,710)		6,434,130
Infrastructure	22,271,537			320,441	22,591,978
Total capital assets, being depreciated	<u>52,628,592</u>	<u>255,354</u>	<u>(5,710)</u>	<u>320,441</u>	<u>53,198,677</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,188,121)	(488,965)			(9,677,086)
Equipment and vehicles	(3,863,997)	(309,961)	5,710		(4,168,248)
Infrastructure	(3,846,722)	(551,425)			(4,398,147)
Total accumulated depreciation	<u>(16,898,840)</u>	<u>(1,350,351)</u>	<u>5,710</u>		<u>(18,243,481)</u>
Capital assets being depreciated, net	<u>35,729,752</u>	<u>(1,094,997)</u>	<u>-</u>	<u>320,441</u>	<u>34,955,196</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 41,422,146</u>	<u>\$ (691,682)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,730,464</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE F – CAPITAL ASSETS (Continued)

	Balance at June 30, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
<u>Business-Type Activities</u>					
Capital assets, not being depreciated:					
Land	\$ 960,472				\$ 960,472
Construction in progress	4,828	\$ 810			5,638
Total capital assets, not being depreciated	<u>965,300</u>	<u>810</u>		-	<u>966,110</u>
Capital assets, being depreciated:					
Buildings and improvements	3,136,523				3,136,523
Equipment and vehicles	638,315				638,315
Infrastructure	25,085,976				25,085,976
Total capital assets, being depreciated	<u>28,860,814</u>	-	-	-	<u>28,860,814</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,193,010)	(62,365)			(1,255,375)
Equipment and vehicles	(452,524)	(30,851)			(483,375)
Infrastructure	(10,452,799)	(500,723)			(10,953,522)
Total accumulated depreciation	<u>(12,098,333)</u>	<u>(593,939)</u>	-		<u>(12,692,272)</u>
Capital assets being depreciated, net	<u>16,762,481</u>	<u>(593,939)</u>		-	<u>16,168,542</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u><u>\$ 17,727,781</u></u>	<u><u>\$ (593,129)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,134,652</u></u>

Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

	<u>Depreciation</u>
Governmental Activities:	
General government	\$ 94,737
Parks and Recreation	32,084
Public safety	272,770
Public works	583,814
Community development	114,480
MIS Fund	16,937
Vehicle Replacement Fund	<u>235,529</u>
Total Governmental Activities	<u><u>\$ 1,350,351</u></u>
Business-type Activities:	
Water	\$ 555,041
Cemetery	<u>38,898</u>
Total Business-type Activities	<u><u>\$ 593,939</u></u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE G – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
<b>Governmental Activities</b>					
Capital Lease Obligations - CREBs	\$ 250,494		\$ (41,749)	\$ 208,745	\$ 41,749
Pension Obligation bond	1,140,000		(365,000)	775,000	380,000
PG&E Loan	181,818		(68,182)	113,636	68,182
Total Governmental Long-Term Debt	1,572,312	-	(474,931)	1,097,381	489,931
Compensated absences	198,924	\$ 235,656	(198,924)	235,656	147,367
Net pension liability	12,464,051	670,790		13,134,841	
Total Governmental Long-Term Debt, Net	\$14,235,287	\$ 906,446	\$ (673,855)	\$14,467,878	\$ 637,298
<b>Business-type Activities</b>					
2012 Refunding Water Sales Agreement	\$ 1,285,000		\$ (75,000)	\$ 1,210,000	\$ 75,000
Total Business-type Long-Term Debt	1,285,000	-	(75,000)	1,210,000	75,000
Compensated absences	102,667	\$ (102,667)	66,256	66,256	43,554
Net pension liability	2,008,969		(691,095)	1,317,874	
Total Business-type Activity Debt	\$ 3,396,636	\$ (102,667)	\$ (699,839)	\$ 2,594,130	\$ 118,554

All of the City's debt are direct borrowings.

**Governmental Activities**

Capital Lease Obligations

In 2007, the City submitted applications to the United States Internal Revenue Service (IRS) for allocation of Clean Renewable Energy Bonds (CREBs). The IRS awarded the City an allocation of \$1,156,000 to finance solar paneling projects at four different municipal facilities within the City limits. Bonds were issued on July 10, 2008 and tax credits were granted to the lender upon financing. The obligation is a lease agreement with Municipal Finance Corporation in the amount of \$1,156,000 entered into on July 10, 2008. Principal installments of \$41,749 are made on December 15 of each year, with the final installment due on December 15, 2024. If the City were to default on this lease, any payments in default will accrue interest at the rate of 8%.

2012 Pension Obligation Bond

On December 20, 2012, the City issued Taxable Pension Obligation Bonds in the amount of \$2,925,000 to refund its obligation to make certain payments to PERS in respect of retired public safety and miscellaneous employees under the Side Fund program of PERS which amortizes such obligations over a fixed period of time. The current annual interest rate imputed by PERS to side funds is 7.5%. Debt service will be funded from the revenue of the General Fund. Interest rates vary from 2% to 4%. The principal installments and interest are payable annually beginning on June 1, 2013 and the final payment will be made on June 1, 2021. The Indenture of Trust states that an event of default exists if the City fails to make the due and punctual payment of the principal or interest or if the City fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the



CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE G – LONG-TERM LIABILITIES (Continued)

Trustee, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then outstanding, shall declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available in law or at equity.

Note Payable - PG&E

In 2017, the City signed a loan agreement with Pacific Gas and Electric Company (PG&E). PG&E loaned the City \$250,000 under its On-Bill Financing Program in order to help the City finance a project to convert the City’s streetlights to LED. Principal payments of \$5,682 are due monthly, beginning July 2017 and ending February 2021. If the City were to default on this loan, the entire outstanding loan balance would become immediately due and payable within 30 days. Additionally, failure to repay the loan balance in accordance with the terms of the loan agreement could result in shut-off of utility energy service, adverse credit reporting, and collection procedures, including legal action.

**Business-type Activities**

2012 Refunding Water Installment Sale

On October 1, 2001, the Sonoma Public Financing Authority issued the 2001 Revenue Bonds, Series A in the amount of \$1,605,000 to finance improvements to the Water System. On October 1, 2012, the City entered into an agreement with Public Property Financing Corporation of California (“Corporation”) whereby Corporation purchases and resells the improvements to the Water System from and to the City for \$1,605,000. The proceeds from the 2012 Refunding Water Installment Sale were used to repay the 2001 Revenue Bonds, Series A. The Corporation assigned and transferred certain of its rights, including the right to receive the installment payment to City National Bank. The principal amount is payable annually beginning from October 1, 2013 until October 1, 2031. Interest is payable semi-annually on April 1 and October 1. Any payments in default would continue to be obligations of the City until the amount in default had been fully paid, and the amount in default would bear an annual interest rate of 10%.

Future debt service for Governmental Activities and Business-Type Activities at June 30, 2019, is as follows for all debt except compensated absences and claims liabilities:

For the Year Ending June 30	Governmental Activities			Business-Type Activities		
	Capital Lease	Pension Obligation Bond		2012 Refunding Water		
	Principal	Principal	Interest	Installment Sale		
				Principal	Interest	
2020	\$ 41,749	\$ 380,000	\$ 31,000	\$ 68,182	\$ 75,000	\$ 45,728
2021	41,749	395,000	15,800	45,454	75,000	42,803
2022	41,749				80,000	39,780
2023	83,498				85,000	36,563
2024					85,000	33,248
2025-2029					480,000	112,710
2030-2032					330,000	19,695
Totals	\$ 208,745	\$ 775,000	\$ 46,800	\$ 113,636	\$ 1,210,000	\$ 330,527

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE H – NET POSITION AND FUND BALANCES

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid expenses	\$ 61,535		\$ 61,535
Total Nonspendable	<u>61,535</u>	<u>-</u>	<u>61,535</u>
Restricted for:			
Public safety		\$ 107,398	107,398
Public works		1,046,657	1,046,657
Community development		250,532	250,532
Debt service		1,742	1,742
Total Restricted	<u>-</u>	<u>1,406,329</u>	<u>1,406,329</u>
Committed for:			
Emergency Reserve	1,500,000		1,500,000
Operating Reserve	3,180,251		3,180,251
Total Committed	<u>4,680,251</u>	<u>-</u>	<u>4,680,251</u>
Assigned for:			
General Plan Reserve	500,000		500,000
Special Projects Reserve	150,850		150,850
Affordable housing	25,183		25,183
Total Assigned	<u>676,033</u>	<u>-</u>	<u>676,033</u>
Unassigned	<u>4,048,031</u>	<u>(19,144)</u>	<u>4,028,887</u>
Total Unassigned	<u>4,048,031</u>	<u>(19,144)</u>	<u>4,028,887</u>
Total Fund Balances	<u>\$ 9,465,850</u>	<u>\$ 1,387,185</u>	<u>\$ 10,853,035</u>

The following describes the purpose of each committed category used by the City:

Emergency Reserve – represents amounts set aside by the City Council for emergencies. At June 30, 2019, the emergency reserve was \$1,500,000.

Operating reserve – represents amounts set aside by the City Council for operations. Operating reserve is designated at 17% of operating expenditures. At June 30, 2019, the operating reserve was \$3,180,251.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE H – NET POSITION AND FUND BALANCES (CONTINUED)

Fund Balance Deficits

Deficit fund balances consisted of the following:

	<u>As of</u> <u>June 30, 2019</u>
Nonmajor Special Revenue Funds	
Bond Property Maintenance	\$ (19,144)
Fiduciary Funds	
Successor Agency Private Purpose Trust	(23,733,299)

The above deficit fund balance in the Bond Property Maintenance Fund has occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The fund balance will be restored in the near future as revenues are received.

The deficit fund balance in the Successor Agency Private Purpose trust is principally due to long term liabilities resulting from the issuance of Tax Allocation Bonds made by the original Redevelopment Agency. These bonds will be paid according to the annual debt amortization schedule currently in effect. The source of these funds will be provided by tax increment available from the former redevelopment area.

NOTE I – PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The Fire and Police Safety Plans have no current employees participating in the CalPERS Fire and Police Safety Plans because the City has contracted out public safety. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRM Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLAN (Continued)

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

	City Miscellaneous	City PEPRA Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.50%
Required employer contribution rates	10.15%	7.27%
	Safety Police	Safety Fire
	Prior to January 1, 2013	January 1, 1965 to May 5, 2010
Benefit formula (at full retirement)	3.0% @ 50	3.0% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 57	50
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	3.00%

All Plans except the PEPRA plans are closed to new members that are not already CalPERS participants. There are no active members in the Safety Plans so no contributions are being made. In addition to the contribution rates noted above, payments toward the unfunded liability were made totaling \$827,488.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions paid to each Plan were as follows:

	City Miscellaneous Plans	Safety Plans
Contributions - employer	\$ 608,365	\$ 508,835

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:  
As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
City Miscellaneous Plans	\$ 6,311,663
Safety Plans	<u>8,141,052</u>
Total Net Pension Liability	<u><u>\$ 14,452,715</u></u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2018	0.16282%	0.13480%
Proportion - June 30, 2019	<u>0.16748%</u>	<u>0.13875%</u>
Change - Increase	0.00466%	0.00395%

For the year ended June 30, 2019, the City recognized pension expense of \$1,321,144. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions combined from the following sources:

<u>City Miscellaneous Plans</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 608,365	
Differences between actual and expected experience	242,166	\$ (82,409)
Changes in assumptions	719,548	(176,348)
Change in employer's proportion	187,500	(1,184)
Differences between the employer's contribution and the employer's proportionate share of contributions		(439,190)
Net differences between projected and actual earnings on plan investments	<u>31,203</u>	
Total	<u><u>\$ 1,788,782</u></u>	<u><u>\$ (699,131)</u></u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLAN (Continued)

Safety Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 508,835	
Differences between actual and expected experience	174,924	\$ (665)
Changes in assumptions	798,779	(107,770)
Change in employer's proportion	30,711	(230,105)
Differences between the employer's contribution and the employer's proportionate share of contributions		(476,275)
Net differences between projected and actual earnings on plan investments	55,119	
Total	\$ 1,568,368	\$ (814,815)

The \$608,365 and \$508,835 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	City Miscellaneous Plans	Safety Plans
2020	\$ 499,369	\$ 402,590
2021	255,602	182,848
2022	(216,915)	(284,331)
2023	(56,770)	(56,389)
	\$ 481,286	\$ 244,718

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions: The demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for each of the Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Private Equity	8.0%	6.30%	7.23%
Inflation Sensitive		0.77%	1.81%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
Total	<u>100.0%</u>		

- (a) An expected inflation of 2.00% used for this period.
- (b) An expected inflation of 2.92% used for this period.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE I – PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	City Miscellaneous Plans	Safety Plans
	<u>                    </u>	<u>                    </u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 10,117,599	\$ 11,753,775
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 6,311,663	\$ 8,141,052
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 3,169,927	\$ 5,181,074

Pension Plan Fiduciary Net Position: Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE J – RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially, each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF’s stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF’s stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

Members and associate members participate in the workers’ compensation and general liability programs and have the option of participating in other coverage programs which provide property, flood and earthquake, fidelity/faithful performance, dental, vision, employee assistance and auto physical damage.



## CITY OF SONOMA

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

#### NOTE J – RISK MANAGEMENT (Continued)

The City of Sonoma participates in the following REMIF programs:

##### General Liability Insurance

Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Sonoma self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Excess of \$500,000 to a total of \$40,000,000 coverage per occurrence is covered by Munich Reinsurance America and SCOR Reinsurance Co.

Included in the general liability insurance premium is bonds coverage of up to \$10,000 per occurrence against loss of money, securities and other property through employee's dishonesty, forgery or alteration loss, computer fraud involving money, securities and other property, loss related to the fraudulent transfer of funds and public official faithful performance. The City of Sonoma has a \$5,000 deductible for this coverage.

##### Workers' Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Sonoma is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000. Losses in excess of \$5,000 up to \$2,000,000 are covered by Safety National Casualty.

##### Property Insurance

The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Sonoma has a deductible level of \$10,000 and a coverage limit of \$400,000,000.

The property insurance program includes boiler and machinery coverage which provides up to \$21,245,000 coverage per occurrence. The City of Sonoma has a deductible of \$5,000.

##### Auto Physical Damage Insurance

The City of Sonoma has a deductible of \$10,000 per vehicle. Damages in excess of \$10,000 up to \$10,000,000 per occurrence is covered by Hanover Insurance Company.

There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years.

#### NOTE K – LEASE COMMITMENT

The City leases the Sebastiani Theatre located in the City of Sonoma under an operating lease beginning in December 2016 and expiring in November 2041. The City sub-leases the Sebastiani Theatre for the same term. The City's minimum base rent per month increases by 2% each year of the lease. The lease includes an option to renew the lease for an additional term of twenty-five years. Minimum rental expense

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE K – LEASE COMMITMENT (Continued)

for the year ended June 30, 2019 was \$67,176. Sub-lease rental income for the year ended June 30, 2019 was \$35,482. Future minimum lease payments under these agreements are as follows for the years ended June 30:

	Lease Payments	Sub-Lease Receipts	Net
2020	\$ 68,520	\$ 34,260	\$ 34,260
2021	69,891	34,945	34,946
2022	71,288	35,644	35,644
2023	72,714	36,357	36,357
2024	74,168	37,084	37,084
2025-2029	393,694	196,847	196,847
2030-2034	434,671	217,335	217,336
2035-2039	479,912	239,956	239,956
2040-2042	249,300	124,650	124,650
Total	<u>\$ 1,914,158</u>	<u>\$ 957,078</u>	<u>\$ 957,080</u>

NOTE L – OTHER COMMITMENTS AND CONTINGENT LIABILITIES

The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2019, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material effect on the financial condition of the City.

At June 30, 2019, the City had outstanding commitments with contractors for the following projects:

Project	Remaining Commitment
2019 Fire Line Improvements	\$ 186,200
Fryer Creek Bridge	182,605
	<u>\$ 368,805</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE L – OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

On July 1, 2009 the City of Sonoma entered into a ten-year Agreement for Law Enforcement Services with the County of Sonoma Sheriff's Office to provide law enforcement services within the City's municipal boundaries, which is set to expire on June 30, 2019. On June 4, 2019 the City and County of Sonoma renewed the agreement for one additional year beginning on July 1, 2019 through June 30, 2020. Budgeted contract amounts for the year ended June 30, 2020 are \$4,642,010.

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, as amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

Under the provisions of AB 1484, the City could elect to become the Housing Successor and retain the housing assets. On January 30, 2012, the City elected to not retain the housing assets of the former Sonoma Community Development Agency with City Resolution No. 06-2012, and on February 1, 2012, such housing assets and functions were transferred to the Housing Authority of the County of Sonoma.

The City also elected to become the Successor Agency and on February 1, 2012, the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of the City Council, one former Redevelopment Agency employee appointed by the Mayor and the remaining members are appointed by external agencies with an interest in Successor Agency assets. Pursuant to Senate Bill 107, on July 1, 2018, a single consolidated County Oversight Board was established for the four city Oversight Boards.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency, including paying debt service payments of existing Redevelopment Agency debt agreements. Currently, the last of the obligations of the former Redevelopment Agency will terminate in 2037.

The following disclosures of the Successor Agency as of June 30, 2019 are required by debt continuing disclosure requirements.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY (Continued)

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Fiduciary Activities:					
Note Payable - SERAF	\$ 1,433,065		\$ (121,738)	\$ 1,311,327	\$ 121,738
Note Payable - USDA	758,886			758,886	13,100
	<u>2,191,951</u>	<u>-</u>	<u>(121,738)</u>	<u>2,070,213</u>	<u>134,838</u>
2010 Tax Allocation Bonds	7,180,000		(440,000)	6,740,000	450,000
2011 Tax Allocation Bonds	14,790,000		(165,000)	14,625,000	170,000
2015 Tax Allocation Bonds	11,710,000		(540,000)	11,170,000	560,000
Less: Discount	(111,597)		7,239	(104,358)	
	<u>33,568,403</u>	<u>-</u>	<u>(1,137,761)</u>	<u>32,430,642</u>	<u>1,180,000</u>
Total Fiduciary Debt	<u>\$ 35,760,354</u>	<u>\$ -</u>	<u>\$ (1,259,499)</u>	<u>\$ 34,500,855</u>	<u>\$ 1,314,838</u>

Note Payable - SERAF

The Agency borrowed \$1,920,016 from the Low and Moderate Income Housing Fund to meet the payments to the Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal year 2009/10 pursuant to Health and Safety Code Section 33690(a). The loan was to be repaid by June 30, 2015 and was not, so the Agency owes this amount to the entity that assumed the Agency's housing assets, the Sonoma County Housing Authority. This loan, which was included on the Recognized Obligation Payment Schedule, was approved by the Department of Finance. The Agency is required to repay the Housing Authority by March 2030, with semi-annual payments of \$60,869 due in September and March each year. There is no specific default provision for this loan, however this loan is an enforceable obligation under California Health and Safety Code Section 34171(d)(1)(G).

Note Payable - USDA

In April 2005, the Agency obtained an \$816,635 loan from the U.S. Department of Agriculture to assist the Agency in purchasing and operating the Village Green Apartments II low/moderate income housing rental project. The loan is fully amortized over 30 years at an interest rate of 5.625%. The loan is secured by an interest in the property and rental income and is subordinated to an existing loan with Exchange Bank. Payments of \$48,906 are due monthly. The loan agreement states that default exists if the City fails to comply with the terms of the agreement, including timely payments, or if any of the City's representations are false or misleading. Upon any such default, USDA Rural Housing Service may declare the unpaid balance of the note immediately due and payable and take possession of the collateral.

2010 Tax Allocation Refunding Bonds

In September 2010, the Agency issued \$10,120,000 of tax allocation bonds to refund the 1997 Tax Allocation Bonds and the 2000 Tax Allocation Refunding Bonds. Annual interest rates vary between 2% and 5% per annum. The Bonds mature semi-annually in increasing amounts on each December 1, through

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY (Continued)

2030. The bonds are secured by a lien on tax revenues. Principal payments of \$430,000 to \$710,000 are due annually on December 1 through 2030. Interest payments of \$17,750 to \$159,569 are due semiannually on December 1 and June 1 through December 1, 2030. The Indenture of Trust states that an event of default exists if the Agency fails to make the due and punctual payment of the principal or interest or if the Agency fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the Trustee, with the prior written consent of the Bond Insurer, may declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available to the Trustee and the Owners in law or at equity.

2011 Tax Allocation Bonds

In February 2011, the Agency issued tax allocation bonds in the amount of \$15,750,000, with variable interest rates of 2.25% to 6.50% per annum, to provide funds for certain community development projects. The bonds mature semi-annually in increasing amounts on each December 1, through 2036. The bonds are secured by a lien on Successor Agency tax revenues. Principal payments of \$155,000 to \$2,940,000 are due annually on December 1, 2015 through 2036. Interest payments of \$104,737 to \$523,409 are due semiannually on December 1 and June 1 through December 1, 2036. The Indenture of Trust states that an event of default exists if the Agency fails to make the due and punctual payment of the principal or interest or if the Agency fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the Trustee may declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available to the Trustee and the Owners in law or at equity.

2015 Tax Allocation Bonds

In October 2015, the Agency issued tax allocation bonds in the amount of \$13,150,000, with variable rate of 2.00% to 4.00% per annum. The 2015 bonds are secured on a subordinate bases to the 2010 and 2011 bonds. The bonds mature semi-annually in increasing amounts on each December 1, through 2033. The bonds are secured by a lien on Successor Agency tax revenues. Principal payments of \$515,000 to \$1,120,000 are due annually on June 1, 2019 through 2033. Interest payments of \$28,000 to \$297,550 are due semiannually on December 1 and June 1 through 2033. The Indenture of Trust states that an event of default exists if the Agency fails to make the due and punctual payment of the principal or interest or if the Agency fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the Trustee may declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available to the Trustee and the Owners in law or at equity.

The pledged revenues reported above represents tax revenues deposited into the Redevelopment Property Tax Trust Fund administered by the County of Sonoma Auditor-Controller's Office, less property tax administration fees and tax sharing payments made to other local agencies as required under Community Redevelopment Law (net pledged tax increment revenues). A portion of the net pledged tax increment revenues reported above are not intended to represent the amount received by the Agency and reported in the Successor Agency Private-Purpose Trust Fund. Although the Agency does not receive all of the net pledged tax increment revenues, additional revenues would be available to the Agency in the future if necessary to make debt service payments.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY (Continued)

Future debt service for Fiduciary Activities at June 30, 2019 is as follows:

Year Ending June 30,	2010 Tax Allocation Refunding				2015 Tax Allocation Refunding	
	Bond		2011 Tax Allocation Bonds		Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 450,000	\$ 289,103	\$ 170,000	\$ 1,025,729	\$ 560,000	\$ 552,900
2021	465,000	274,564	180,000	1,015,794	585,000	530,500
2022	480,000	258,256	185,000	1,005,069	615,000	501,250
2023	500,000	240,485	200,000	993,269	645,000	470,500
2024	515,000	221,193	210,000	979,669	675,000	438,250
2025-2029	2,940,000	726,075	1,270,000	4,651,593	3,990,000	1,644,750
2030-2034	1,390,000	70,250	4,165,000	3,874,304	4,100,000	528,000
2035-2038			8,245,000	908,259		
<b>Total</b>	<b>\$ 6,740,000</b>	<b>\$ 2,079,926</b>	<b>\$ 14,625,000</b>	<b>\$ 14,453,686</b>	<b>\$ 11,170,000</b>	<b>\$ 4,666,150</b>
Due within one year	\$ 450,000	\$ 289,103	\$ 170,000	\$ 1,025,729	\$ 560,000	\$ 552,900
Due after one year	6,290,000	1,790,823	14,455,000	13,427,957	10,610,000	4,113,250
<b>Total</b>	<b>\$ 6,740,000</b>	<b>\$ 2,079,926</b>	<b>\$ 14,625,000</b>	<b>\$ 14,453,686</b>	<b>\$ 11,170,000</b>	<b>\$ 4,666,150</b>

Year Ending June 30,	Note Payable - USDA		Note Payable - SERAF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 13,100	\$ 84,742	\$ 121,738		\$ 1,314,838
2021	7,106	41,800	121,738		1,358,844	1,862,658
2022	7,516	41,390	121,738		1,409,254	1,805,965
2023	7,950	40,956	121,738		1,474,688	1,745,210
2024	8,409	40,497	121,738		1,530,147	1,679,609
2025-2029	49,912	194,618	608,690		8,858,602	7,217,036
2030-2034	66,080	178,450	93,947		9,815,027	4,651,004
2035-2038	598,813	30,574			8,843,813	938,833
<b>Total</b>	<b>\$ 758,886</b>	<b>\$ 653,027</b>	<b>\$ 1,311,327</b>	<b>\$ -</b>	<b>\$ 34,605,213</b>	<b>\$ 21,852,789</b>
Due within one year	\$ 13,100	\$ 84,742	\$ 121,738		\$ 1,314,838	\$ 1,952,474
Due after one year	745,786	568,285	1,189,589		33,290,375	19,900,315
<b>Total</b>	<b>\$ 758,886</b>	<b>\$ 653,027</b>	<b>\$ 1,311,327</b>	<b>\$ -</b>	<b>\$ 34,605,213</b>	<b>\$ 21,852,789</b>

Commitments and Contingencies

State Approval of Enforceable Obligations: The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semiannually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE N – RECLASSIFICATION

The Maysonnave Property fund fulfilled its obligations as a special revenue fund in a prior year and the negative fund balance of \$15,924 was transferred to the General Fund as of July 1, 2018.

NOTE O – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak and related state and local shelter-in-place orders are disrupting supply chains and affecting production and sales across a range of industries. The City has lost a significant amount of revenue due to this pandemic and has implemented various financial responses, including reassigning certain funds and reducing spending. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SONOMA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2019**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - MISCELLANEOUS PLANS (UNAUDITED)  
Last 10 Years**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.16748%	0.16282%	0.15635%	0.14510%	0.06028%
Proportionate share of the net pension liability	\$ 6,311,664	\$ 6,418,432	\$ 5,431,662	\$ 3,980,687	\$ 3,750,501
Covered payroll - measurement period	\$ 3,130,032	\$ 2,939,508	\$ 3,557,230	\$ 2,505,994	\$ 2,505,994
Proportionate share of the net pension liability as a percentage of covered payroll	201.65%	218.35%	152.69%	158.85%	149.66%
Plan fiduciary net position as a percentage of the total pension liability	77.57%	76.17%	77.42%	82.52%	83.03%
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Discount rate	7.15%	7.15%	7.65%	7.65%	7.50%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed as indicated above.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN -  
CITY MISCELLANEOUS PLANS (UNAUDITED)  
Last 10 Years**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 608,365	\$ 511,035	\$ 441,187	\$ 399,422	\$ 288,054
Contributions in relation to the actuarially determined contributions	(608,365)	(511,035)	(441,187)	(399,422)	(288,054)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 3,163,178	\$ 3,130,032	\$ 2,939,508	\$ 3,557,230	\$ 2,505,994
Contributions as a percentage of covered payroll	19.23%	16.33%	15.01%	11.23%	11.49%
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal				
Amortization method	Level percentage of payroll, closec				
Remaining amortization period	Varies, not more than 30 years				
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service				
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.375%	7.50%	7.50%	7.50%	7.50%
Mortality	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

- (1) Net of administrative expenses, includes inflation
- (2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007
- (3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore only five years are presented.

**CITY OF SONOMA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2017**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - SAFETY PLANS (UNAUDITED)  
Last 10 Years**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.13875%	0.13480%	0.12357%	0.17640%	0.07112%
Proportionate share of the net pension liability	\$ 8,141,052	\$ 8,054,588	\$ 7,123,086	\$ 5,668,192	\$ 4,425,144
Covered payroll - measurement period	-	-	-	-	-
Proportionate share of the net pension liability as a percentage of covered payroll					
Plan fiduciary net position as a percentage of the total pension liability	68.93%	69.91%	71.42%	75.21%	81.42%
Valuation date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Discount rate	7.15%	7.15%	7.65%	7.65%	7.50%

Notes to Schedule:

There is no covered payroll as the City does not currently employ safety personnel.

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and to 7.15% in 2018 and 2019.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN -  
SAFETY PLANS (UNAUDITED)  
Last 10 Years**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 508,835	\$ 404,714	\$ 327,470	\$ 251,382	\$ 543,178
Contributions in relation to the actuarially determined contributions	(508,835)	(404,714)	(327,470)	(251,382)	(543,178)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year					
Contributions as a percentage of covered - payroll					
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates

Actuarial cost method			Entry age normal		
Amortization method			Level percentage of payroll, closec		
Remaining amortization period			Varies, not more than 30 years		
Asset valuation method	Market	Market	Market	Market	15-year
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases			Varies by Entry Age and Service		
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.375%	7.50%	7.50%	7.50%	7.50%
Mortality	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

(1) Net of administrative expenses, includes inflation

(2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007

(3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore only five years are presented.

**SUPPLEMENTAL INFORMATION**

## **NON-MAJOR GOVERNMENTAL FUNDS**

<b>Special Revenue</b>	These funds account for restricted revenues (for specified purposes).
<b>Capital Projects</b>	These funds account for construction or acquisition of governmental capital assets (capital outlay).
<b>Debt Service</b>	These funds account for the accumulation of resources to pay principal and interest on debt.

**CITY OF SONOMA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

<b>Governmental Funds</b>				
	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>Nonmajor Funds Totals</b>
<b>ASSETS</b>				
Cash and investments	\$ 1,370,053	\$ 210,466	\$ 3,178	\$ 1,583,697
Receivables:				
Taxes	63,508			63,508
Accounts	11,318			11,318
Interest	5,465		1,147	6,612
TOTAL ASSETS	\$ 1,450,344	\$ 210,466	\$ 4,325	\$ 1,665,135
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 3,876	\$ 100,740	\$ 2,583	\$ 107,199
Due to other funds	25,008			25,008
Retention payable		3,250		3,250
Deposits payable	142,460			142,460
Other payables	33			33
TOTAL LIABILITIES	171,377	103,990	2,583	277,950
 <b>Fund balances:</b>				
Restricted for:				
Public safety	107,398			107,398
Public works	940,181	106,476		1,046,657
Community development	250,532			250,532
Debt service			1,742	1,742
Unassigned	(19,144)			(19,144)
TOTAL FUND BALANCES	1,278,967	106,476	1,742	1,387,185
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,450,344	\$ 210,466	\$ 4,325	\$ 1,665,135

**CITY OF SONOMA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>Governmental Funds</b>			
	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>Nonmajor Funds Totals</b>
<b>REVENUES</b>				
Taxes and assessments	\$ 128,078			\$ 128,078
Licenses and permits	762	\$ 19,375		20,137
Intergovernmental	627,171	11,324		638,495
Use of money and property	21,593	(260)	\$ 1,459	22,792
TOTAL REVENUES	<u>777,604</u>	<u>30,439</u>	<u>1,459</u>	<u>809,502</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	29			29
Public works	9,380	64,549		73,929
Community development	56,740			56,740
Debt Service:				
Principal			406,749	406,749
Interest and fiscal charges			45,883	45,883
Capital outlay	251,063	152,252		403,315
TOTAL EXPENDITURES	<u>317,212</u>	<u>216,801</u>	<u>452,632</u>	<u>986,645</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	302,620	277,000	453,849	1,033,469
Transfers out	(100,000)			(100,000)
TOTAL OTHER FINANCING SOURCES AND USES	<u>202,620</u>	<u>277,000</u>	<u>453,849</u>	<u>933,469</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>663,012</u>	<u>90,638</u>	<u>2,676</u>	<u>756,326</u>
Fund balances, beginning of year	<u>615,955</u>	<u>15,838</u>	<u>(934)</u>	<u>630,859</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,278,967</u>	<u>\$ 106,476</u>	<u>\$ 1,742</u>	<u>\$ 1,387,185</u>



## NON-MAJOR SPECIAL REVENUE FUNDS

<u>Fund</u>	<u>Description</u>
<b>Public, Educational and Governmental</b>	Accounts for revenues and expenditures related to public, educational and governmental (PEG) channels instituted by the Cable Communications Policy Act of 1984.
<b>Strong Motion</b>	Accounts for State of California "strong motion" fees paid by building permit applicants. Funds are paid regularly to State Department of Conservation.
<b>Asset Forfeiture</b>	Accounts for funds received from seizure and forfeiture of assets that represent the proceeds of, or were used to facilitate crime. Funds are expended according to legal restrictions.
<b>SLESF Law Enforcement Fund</b>	Accounts for Supplemental Law Enforcement Services Funds (SLESF) which are collected by the State of California as part of the State Vehicle License Fee.
<b>Bond Property Maintenance Fund</b>	Accounts for revenues and expenditures related to maintenance of the Bond Property.
<b>Schell Drainage Fund</b>	Accounts for funds used for tracking of mitigation fees for specific projects.
<b>Abandoned Vehicle Fund</b>	Accounts for funds received from the Abandoned Vehicle Abatement program and must be expended in compliance with legal restrictions.
<b>Sonoma Creek Senior Housing Fund</b>	Accounts for revenues and expenditures related to Sonoma Creek Senior Housing.
<b>Gas Tax</b>	Accounts for proceeds and expenditures of gas tax revenue received under the California Streets and Highways Code.
<b>Road Maintenance SB1</b>	Accounts for funds received by the State of California to be used for road maintenance and rehabilitation.
<b>Measure M</b>	Accounts for funds received from a Countywide 1/4 cent sales tax and designated to be used for transportation projects.
<b>Park Measure M</b>	Accounts for funds received from a Countywide 1/8 cent sales tax and designated to be used for parks maintenance and capital projects.

**CITY OF SONOMA**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2019**

	<b>Public, Educational and Governmental</b>	<b>Strong Motion</b>	<b>Asset Forfeiture</b>	<b>Supplemental Law Enforcement</b>	<b>Bond Property Maintenance</b>
<b>ASSETS</b>					
Cash and investments	\$ 272	\$ 5,298	\$ 30,597	\$ 70,662	
Receivables:					
Taxes					
Accounts	11,318				
Interest			134	726	
TOTAL ASSETS	\$ 11,590	\$ 5,298	\$ 30,731	\$ 71,388	\$ -
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable		\$ 19			
Due to other funds					\$ 19,144
Deposits payable					
Other payables		33			
TOTAL LIABILITIES		52			19,144
Fund balances:					
Restricted for:					
Public safety			\$ 30,731	\$ 71,388	
Public works					
Community development	\$ 11,590	5,246			
Unassigned					(19,144)
TOTAL FUND BALANCES	11,590	5,246	30,731	71,388	(19,144)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 11,590	\$ 5,298	\$ 30,731	\$ 71,388	\$ -

<u>Schell Drainage</u>	<u>Abandoned Vehicle</u>	<u>Sonoma Creek Senior Housing</u>	<u>Gas Tax</u>	<u>Road Maintenance SBI</u>	<u>Measure M</u>	<u>Parks Measure M</u>	<u>Totals</u>
\$ 192,320	\$ 15,000	\$ 233,283	\$ 404,030	\$ 338,192	\$ 80,399		\$ 1,370,053
				37,277	21,134	\$ 5,097	63,508
555		413	2,078	942	617		11,318
<u>\$ 192,875</u>	<u>\$ 15,000</u>	<u>\$ 233,696</u>	<u>\$ 406,108</u>	<u>\$ 376,411</u>	<u>\$ 102,150</u>	<u>\$ 5,097</u>	<u>\$ 1,450,344</u>
	\$ 3,857						\$ 3,876
\$ 142,460	5,864						25,008
							142,460
<u>142,460</u>	<u>9,721</u>						<u>33</u>
							171,377
	5,279						107,398
50,415		\$ 233,696	\$ 406,108	\$ 376,411	\$ 102,150	\$ 5,097	940,181
							250,532
<u>50,415</u>	<u>5,279</u>	<u>233,696</u>	<u>406,108</u>	<u>376,411</u>	<u>102,150</u>	<u>5,097</u>	<u>(19,144)</u>
							1,278,967
<u>\$ 192,875</u>	<u>\$ 15,000</u>	<u>\$ 233,696</u>	<u>\$ 406,108</u>	<u>\$ 376,411</u>	<u>\$ 102,150</u>	<u>\$ 5,097</u>	<u>\$ 1,450,344</u>

**CITY OF SONOMA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2019**

	<b>Public, Educational and Governmental</b>	<b>Strong Motion</b>	<b>Asset Forfeiture</b>	<b>Supplemental Law Enforcement</b>	<b>Bond Property Maintenance</b>
<b>REVENUES</b>					
Taxes	\$ 44,580				
Licenses and permits		\$ 762			
Intergovernmental		2	\$ 11,750	\$ 120,319	
Use of money and property	253	7	302	2,618	
<b>TOTAL REVENUES</b>	<b>44,833</b>	<b>771</b>	<b>12,052</b>	<b>122,937</b>	
<b>EXPENDITURES</b>					
Current:					
Public safety					
Public works					
Community development	56,740				
Capital outlay					
<b>TOTAL EXPENDITURES</b>	<b>56,740</b>				
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,907)</b>	<b>771</b>	<b>12,052</b>	<b>122,937</b>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out				(100,000)	
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>				<b>(100,000)</b>	
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>(11,907)</b>	<b>771</b>	<b>12,052</b>	<b>22,937</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>					
Beginning of year	23,497	4,475	18,679	48,451	\$ (19,144)
End of year	\$ 11,590	\$ 5,246	\$ 30,731	\$ 71,388	\$ (19,144)

<u>Schell Drainage</u>	<u>Abandoned Vehicle</u>	<u>Sonoma Creek Senior Housing</u>	<u>Gas Tax</u>	<u>Road Maintenance SBI</u>	<u>Measure M</u>	<u>Parks Measure M</u>	<u>Totals</u>
					\$ 78,401	\$ 5,097	\$ 128,078
	\$ 29		\$ 227,290	\$ 267,781			762
\$ 3,694	14	\$ 2,897	8,169	1,749	1,890		627,171
<u>3,694</u>	<u>43</u>	<u>2,897</u>	<u>235,459</u>	<u>269,530</u>	<u>80,291</u>	<u>5,097</u>	<u>21,593</u>
	29						29
			1,534	7,846			9,380
			<u>37,250</u>	<u>213,813</u>			<u>56,740</u>
	<u>29</u>		<u>38,784</u>	<u>221,659</u>			<u>251,063</u>
3,694	14	2,897	196,675	47,871	80,291	5,097	460,392
				302,620			302,620
				<u>302,620</u>			<u>(100,000)</u>
3,694	14	2,897	196,675	350,491	80,291	5,097	663,012
<u>46,721</u>	<u>5,265</u>	<u>230,799</u>	<u>209,433</u>	<u>25,920</u>	<u>21,859</u>		<u>615,955</u>
<u>\$ 50,415</u>	<u>\$ 5,279</u>	<u>\$ 233,696</u>	<u>\$ 406,108</u>	<u>\$ 376,411</u>	<u>\$ 102,150</u>	<u>\$ 5,097</u>	<u>\$ 1,278,967</u>

**NON-MAJOR CAPITAL PROJECTS AND DEBT SERVICE FUNDS**

<b>Fund</b>	<b>Description</b>
<hr/>	
<b>Capital Projects Funds</b>	
<b>Capital Improvement Program</b>	The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.
<hr/>	
<b>Debt Service Funds</b>	
<b>2008 CREBs</b>	Accounts for debt service related to the Clean Renewable Energy Bonds.
<b>2012 Pension Obligation Bonds</b>	Accounts for debt service for the Pension Obligation Bond issued in 2012.

**CITY OF SONOMA**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects and Debt Service Funds**  
**June 30, 2019**

	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>			<b>Totals</b>
	<b>Capital Improvement Program</b>	<b>2008 CREBs</b>	<b>2012 Pension Obligation Bonds</b>	<b>Sub-totals</b>	
<b>ASSETS</b>					
Cash and investments	\$ 210,466		\$ 3,178	\$ 3,178	\$ 213,644
Interest receivable			1,147	1,147	1,147
TOTAL ASSETS	<u>\$ 210,466</u>	<u>\$ -</u>	<u>\$ 4,325</u>	<u>\$ 4,325</u>	<u>\$ 214,791</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 100,740				\$ 100,740
Interest payable			\$ 2,583	\$ 2,583	2,583
Retention payable	3,250				3,250
TOTAL LIABILITIES	<u>103,990</u>		<u>2,583</u>	<u>2,583</u>	<u>106,573</u>
Fund balances:					
Restricted for					
Public works	106,476				106,476
Debt service			1,742	1,742	1,742
TOTAL FUND BALANCES	<u>106,476</u>	<u>-</u>	<u>1,742</u>	<u>1,742</u>	<u>108,218</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 210,466</u>	<u>\$ -</u>	<u>\$ 4,325</u>	<u>\$ 4,325</u>	<u>\$ 214,791</u>

**CITY OF SONOMA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Projects and Debt Service Funds**  
**For the Year Ended June 30, 2019**

	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>			<b>Totals</b>
	<b>Capital Improvement Program</b>	<b>2008 CREBs</b>	<b>2012 Pension Obligation Bonds</b>	<b>Sub-totals</b>	
<b>REVENUES</b>					
Licenses and permits	\$ 19,375				\$ 19,375
Intergovernmental	11,324				11,324
Use of money and property	(260)		\$ 1,459	\$ 1,459	1,199
TOTAL REVENUES	<u>30,439</u>	<u>-</u>	<u>1,459</u>	<u>1,459</u>	<u>31,898</u>
<b>EXPENDITURES</b>					
Current:					
Public works	64,549				64,549
Capital outlay	152,252				152,252
Debt service:					
Principal		\$ 41,749	365,000	406,749	406,749
Interest and fiscal charges			45,883	45,883	45,883
TOTAL EXPENDITURES	<u>216,801</u>	<u>41,749</u>	<u>410,883</u>	<u>452,632</u>	<u>669,433</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(186,362)	(41,749)	(409,424)	(451,173)	(637,535)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	277,000	41,749	412,100	453,849	730,849
TOTAL OTHER FINANCING SOURCES AND USES	<u>277,000</u>	<u>41,749</u>	<u>412,100</u>	<u>453,849</u>	<u>730,849</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	90,638		2,676	2,676	93,314
<b>FUND BALANCES (DEFICIT)</b>					
Beginning of year	15,838		(934)	(934)	14,904
End of year	<u>\$ 106,476</u>	<u>\$ -</u>	<u>\$ 1,742</u>	<u>\$ 1,742</u>	<u>\$ 108,218</u>



## INTERNAL SERVICE FUNDS

<b>Fund</b>	<b>Description</b>
<b>MIS Fund</b>	Accounts for Management Information System maintenance and equipment replacement. Costs are distributed among user departments and transferred as approved in the annual budget process.
<b>Admin Hearings Fund</b>	Accounts for all activities of the City's Administrative Hearings as charged to departments.
<b>Vehicle Replace Fund</b>	Accounts for costs to replace vehicles based on a depreciation schedule. Costs are distributed among user departments and transferred as approved in the annual budget process.
<b>Insurance Fund</b>	Accounts for the City's self-insurance programs, the costs of which are distributed among designated user departments.
<b>Employee Benefits Fund</b>	Accounts for the City's employee benefit programs, the costs of which are distributed among designated user departments.
<b>Long-term Building Maintenance Fund</b>	Accounts for the City's building maintenance reserve programs, the costs of which are distributed among designated user departments.
<b>Computer Loans Fund</b>	Accounts for loans to employees for computer purchases. Reimbursements are collected from employee payroll.
<b>Hardscape Maintenance Fund</b>	Accounts for the City's hardscape maintenance reserve programs.

**CITY OF SONOMA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2019**

	<b>MIS Fund</b>	<b>Admin Hearings Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Insurance Fund</b>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ 406,663	\$ 9,373	\$ 1,711,709	\$ 45,764
Receivables:				
Interest	461		4,577	
Notes			225,255	
Due from other funds			288,613	
Total Current Assets	407,124	9,373	2,230,154	45,764
<b>Noncurrent assets:</b>				
Capital assets, net	41,102		1,863,889	
Total Noncurrent Assets	41,102	-	1,863,889	-
<b>TOTAL ASSETS</b>	<b>\$ 448,226</b>	<b>\$ 9,373</b>	<b>\$ 4,094,043</b>	<b>\$ 45,764</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 27,928			
Deposits payable		\$ 9,257		
Unearned revenue				
TOTAL LIABILITIES	27,928	9,257	-	-
<b>Net Position:</b>				
Net investment in capital assets	41,102		\$ 1,863,889	
Unrestricted	379,196	116	2,230,154	\$ 45,764
TOTAL NET POSITION	420,298	116	4,094,043	45,764
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 448,226</b>	<b>\$ 9,373</b>	<b>\$ 4,094,043</b>	<b>\$ 45,764</b>

<b>Building Maintenance Fund</b>	<b>Computer Loans Fund</b>	<b>Hardscape Maintenance Fund</b>	<b>Totals</b>
\$ 2,010,159	\$ 58,954	\$ 24,106	\$ 4,266,728
5,223	209		10,470
	325		225,580
			288,613
<u>2,015,382</u>	<u>59,488</u>	<u>24,106</u>	<u>4,791,391</u>
			1,904,991
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,904,991</u>
<u>\$ 2,015,382</u>	<u>\$ 59,488</u>	<u>\$ 24,106</u>	<u>\$ 6,696,382</u>
			\$ 27,928
			9,257
	\$ 325		325
<u>-</u>	<u>325</u>	<u>-</u>	<u>37,510</u>
			1,904,991
\$ 2,015,382	59,163	\$ 24,106	4,753,881
<u>2,015,382</u>	<u>59,163</u>	<u>24,106</u>	<u>6,658,872</u>
<u>\$ 2,015,382</u>	<u>\$ 59,488</u>	<u>\$ 24,106</u>	<u>\$ 6,696,382</u>

**CITY OF SONOMA**  
**Combining Statement of Revenues, Expenditures and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	<u>MIS Fund</u>	<u>Admin Hearings Fund</u>	<u>Vehicle Replacement Fund</u>	<u>Insurance Fund</u>
<b>OPERATING REVENUES</b>				
Interdepartmental charges	\$ 214,803		\$ 304,140	
Other operating				
TOTAL OPERATING REVENUES	<u>214,803</u>	<u>-</u>	<u>304,140</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Repairs and maintenance	112,361			
Depreciation	16,937		235,529	
Other operating	78,752			
TOTAL OPERATING EXPENSES	<u>208,050</u>	<u>-</u>	<u>235,529</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>	6,753	-	68,611	-
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	1,642	\$ 16	33,703	\$ 77
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,642</u>	<u>16</u>	<u>33,703</u>	<u>77</u>
<b>CHANGE IN NET POSITION</b>	8,395	16	102,314	77
<b>NET POSITION (DEFICIT)</b>				
Net position, beginning of year	411,903	100	3,991,729	45,687
End of year	<u>\$ 420,298</u>	<u>\$ 116</u>	<u>\$ 4,094,043</u>	<u>\$ 45,764</u>

<b>Building Maintenance Fund</b>	<b>Computer Loans Fund</b>	<b>Hardscape Maintenance Fund</b>	<b>Totals</b>
\$ 303,248			\$ 822,191
	\$ 1,190		1,190
303,248	1,190	-	823,381
29,824			142,185
			252,466
			78,752
29,824	-	-	473,403
273,424	1,190	-	349,978
28,668	1,363	\$ 40	65,509
28,668	1,363	40	65,509
302,092	2,553	40	415,487
1,713,290	56,610	24,066	6,243,385
<u>\$ 2,015,382</u>	<u>\$ 59,163</u>	<u>\$ 24,106</u>	<u>\$ 6,658,872</u>

**CITY OF SONOMA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2019**

	<b>MIS Fund</b>	<b>Admin Hearings Fund</b>	<b>Vehicle Replacement Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash paid to suppliers	\$ (169,395)		
Cash paid to employees and related benefits			
Cash (paid) received from interfund services provided	214,803		\$ 304,140
Other operating revenues received			
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>45,408</b>	<b>-</b>	<b>304,140</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Amounts received (paid) to other funds			
Other revenues received			43,073
<b>CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>43,073</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital expenditures			(235,403)
Capital revenues received			45,242
<b>CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(190,161)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	1,182	\$ 16	29,126
<b>CHANGE IN CASH AND INVESTMENTS</b>	<b>46,590</b>	<b>16</b>	<b>186,178</b>
Cash and investments, beginning of year	360,073	9,357	1,525,531
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<b>\$ 406,663</b>	<b>\$ 9,373</b>	<b>\$ 1,711,709</b>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 6,753		\$ 68,611
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	16,937		235,529
Changes in operating assets and liabilities:			
Accounts and other receivables			
Prepaid expenses			
Accounts payable and accrued expenses	21,718		
Unearned revenue			
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 45,408</b>	<b>\$ -</b>	<b>\$ 304,140</b>

The accompanying notes are an integral part of these financial statements.

<u>Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Building Maintenance Fund</u>	<u>Computer Loans Fund</u>	<u>Hardscape Maintenance Fund</u>	<u>Totals</u>
		\$ (44,694)			\$ (214,089)
	\$ (12,952)				(12,952)
		303,248			822,191
			\$ 1,190		1,190
<u>-</u>	<u>(12,952)</u>	<u>258,554</u>	<u>1,190</u>	<u>-</u>	<u>596,340</u>
					-
					43,073
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,073</u>
					(235,403)
					45,242
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,161)</u>
\$ 77		23,445	1,154	\$ 40	55,040
77	(12,952)	281,999	2,344	40	504,292
45,687	12,952	1,728,160	56,610	24,066	3,762,436
<u>\$ 45,764</u>	<u>\$ -</u>	<u>\$ 2,010,159</u>	<u>\$ 58,954</u>	<u>\$ 24,106</u>	<u>\$ 4,266,728</u>
		\$ 273,424	\$ 1,190		\$ 349,978
					252,466
	\$ 2,594		1,191		3,785
	59,691				59,691
	(75,237)	(14,870)	-		(68,389)
			(1,191)		(1,191)
<u>\$ -</u>	<u>\$ (12,952)</u>	<u>\$ 258,554</u>	<u>\$ 1,190</u>	<u>\$ -</u>	<u>\$ 596,340</u>

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**AGENCY FUNDS**

<b>Fund</b>	<b>Description</b>
<b>Cultural Fine Arts</b>	Accounts for assets held to be used for cultural fine art programs.
<b>Tree Trust</b>	Accounts for assets held to be used for planting and replacement of trees.
<b>Public Art</b>	Accounts for assets held to be used for public art displays.
<b>Pool Scholarship Fund</b>	Accounts for assets held to be used for services and programs in agreement with Sonoma Valley Health and Recreation Association (SVHRA).
<b>Valley of the Moon Fire Protection District</b>	Accounts for assets held as the fiscal agent for the Valley of the Moon Fire Protection District.

**CITY OF SONOMA**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2019**

	<b>Cultural Fine Arts</b>	<b>Tree Trust</b>	<b>Public Art</b>	<b>Pool Scholarship Fund</b>
<b>ASSETS</b>				
Cash and investments	\$ 11,354	\$ 17,884	\$ 18,322	\$ 254,154
Due from other agencies				
Receivables:				
Accounts				
Taxes				
Interest	94	149		
Capital assets:				
Nondepreciable				
Depreciable, net				
TOTAL ASSETS	\$ 11,448	\$ 18,033	\$ 18,322	\$ 254,154
 <b>LIABILITIES</b>				
Accounts payable				
Amounts held in trust	\$ 11,448	\$ 18,033	\$ 18,322	\$ 254,154
TOTAL LIABILITIES	\$ 11,448	\$ 18,033	\$ 18,322	\$ 254,154

<u>Valley of Moon Fire</u>	<u>Totals</u>
\$ 5,634,115	\$ 5,935,829
132,436	132,436
5,799	5,799
191,885	191,885
5,647	5,890
131,472	131,472
<u>2,029,326</u>	<u>2,029,326</u>
<u>\$ 8,130,680</u>	<u>\$ 8,432,637</u>
\$ 385,853	\$ 385,853
<u>7,744,827</u>	<u>8,046,784</u>
<u>\$ 8,130,680</u>	<u>\$ 8,432,637</u>

**CITY OF SONOMA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2019**

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
<b>Cultural Fine Arts</b>				
<b>ASSETS</b>				
Cash and investments	\$ 10,857	\$ 11,354	\$ (10,857)	\$ 11,354
Interest receivable		94		94
TOTAL ASSETS	<u>\$ 10,857</u>	<u>\$ 11,448</u>	<u>\$ (10,857)</u>	<u>\$ 11,448</u>
<b>LIABILITIES</b>				
Amounts held in trust	\$ 10,857	\$ 11,448	\$ (10,857)	\$ 11,448
TOTAL LIABILITIES	<u>\$ 10,857</u>	<u>\$ 11,448</u>	<u>\$ (10,857)</u>	<u>\$ 11,448</u>
<b>Tree Trust</b>				
<b>ASSETS</b>				
Cash and investments	\$ 17,100	\$ 17,884	\$ (17,100)	\$ 17,884
Interest receivable		149		149
TOTAL ASSETS	<u>\$ 17,100</u>	<u>\$ 18,033</u>	<u>\$ (17,100)</u>	<u>\$ 18,033</u>
<b>LIABILITIES</b>				
Amounts held in trust	\$ 17,100	\$ 18,033	\$ (17,100)	\$ 18,033
TOTAL LIABILITIES	<u>\$ 17,100</u>	<u>\$ 18,033</u>	<u>\$ (17,100)</u>	<u>\$ 18,033</u>
<b>Public Art</b>				
<b>ASSETS</b>				
Cash and investments	\$ 18,291	\$ 18,322	\$ (18,291)	\$ 18,322
TOTAL ASSETS	<u>\$ 18,291</u>	<u>\$ 18,322</u>	<u>\$ (18,291)</u>	<u>\$ 18,322</u>
<b>LIABILITIES</b>				
Amounts held in trust	\$ 18,291	\$ 18,322	\$ (18,291)	\$ 18,322
TOTAL LIABILITIES	<u>\$ 18,291</u>	<u>\$ 18,322</u>	<u>\$ (18,291)</u>	<u>\$ 18,322</u>
<b>Pool Scholarship Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ 253,729	\$ 254,154	\$ (253,729)	\$ 254,154
TOTAL ASSETS	<u>\$ 253,729</u>	<u>\$ 254,154</u>	<u>\$ (253,729)</u>	<u>\$ 254,154</u>
<b>LIABILITIES</b>				
Amounts held in trust	\$ 253,729	\$ 254,154	\$ (253,729)	\$ 254,154
TOTAL LIABILITIES	<u>\$ 253,729</u>	<u>\$ 254,154</u>	<u>\$ (253,729)</u>	<u>\$ 254,154</u>

**CITY OF SONOMA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2019**

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
<b>Valley of the Moon Fire</b>				
<b>ASSETS</b>				
Cash and investments	\$ 4,691,607	\$ 5,634,115	\$ (4,691,607)	\$ 5,634,115
Due from other agencies	176,212	132,436	(176,212)	132,436
Receivables:				
Accounts	24	5,799	(24)	5,799
Taxes	288,137	191,885	(288,137)	191,885
Interest		5,647		5,647
Capital assets:				
Nondepreciable	131,472			131,472
Depreciable, net	1,845,910	183,416		2,029,326
TOTAL ASSETS	<u>\$ 7,133,362</u>	<u>\$ 6,153,298</u>	<u>\$ (5,155,980)</u>	<u>\$ 8,130,680</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 436,242	\$ 385,853	\$ (436,242)	\$ 385,853
Amounts held in trust	6,697,120	7,744,827	(6,697,120)	7,744,827
TOTAL LIABILITIES	<u>\$ 7,133,362</u>	<u>\$ 8,130,680</u>	<u>\$ (7,133,362)</u>	<u>\$ 8,130,680</u>
<b>Total of All Agency Funds</b>				
<b>ASSETS</b>				
Cash and investments	\$ 4,991,584	\$ 5,935,829	\$ (4,991,584)	\$ 5,935,829
Due from other funds	176,212	132,436	(176,212)	132,436
Receivables:				
Accounts	24	5,799	(24)	5,799
Taxes	288,137	191,885	(288,137)	191,885
Interest		5,890		5,890
Capital assets:				
Nondepreciable	131,472			131,472
Depreciable, net	1,845,910	183,416		2,029,326
TOTAL ASSETS	<u>\$ 7,433,339</u>	<u>\$ 6,455,255</u>	<u>\$ (5,455,957)</u>	<u>\$ 8,432,637</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 436,242	\$ 385,853	\$ (436,242)	\$ 385,853
Amounts held in trust	6,997,097	8,046,784	(6,997,097)	8,046,784
TOTAL LIABILITIES	<u>\$ 7,433,339</u>	<u>\$ 8,432,637</u>	<u>\$ (7,433,339)</u>	<u>\$ 8,432,637</u>